Randfontein Local Municipality
(Registration number GT482)
Annual Financial Statements
for the year ended 30 June 2014

Randfontein Local Municipality
Annual Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	• Provision of a democratic and accountable local government for communities in the Randfontein area; • Ensuring the provision of municipal services to these communities in a sustainable manner; • Promotion of social and economic development; • Promotion a safe and healthy environment; and • Encourage the involvement of communities and community organisations in the matters of local government in the Randfontein
Municipal demarcation code	GT482
Executive Mayor	Cllr Sylvia Elaine Thebenare
Speaker	Cllr Khumalo ME
Council Whip	Cllr Yaqup Ihsaanullah Legoete
Mayoral Committee	Cllr Martha Christina Grobler (Finance) Cllr Brenda Mahuma (Public Safety) Cllr Sipho Saxon Matakane (Development Planning) Cllr Lazarus Sydney Matshuisa (Local Economic Development; Ward 16) Cllr Patricia Themba Matuwane (Social Services) Cllr Xolisa Ntsepo (Corporate Support Services; Ward 2) Cllr Arthur Sampson (Infrastructure; Ward 5) Cllr Mathidiso Theresa Kimane (Waste and Environment services; Ward 1)
Councillors	Cllr Magdeline Bock (Ward 10) Cllr Modisaotsile John Bogale (Ward 14) Cllr Doneven Cloete (Ward 20) Cllr Peter Dick (Ward 9) Cllr Gesina Aletta Erasmus (Ward 4) Cllr Philile Kenneth Faku (Ward 22) Cllr Craig Harrison (Ward 7) Cllr Mmboi Jane Jerminah Kutoane (Ward 17) Cllr Isaac Lebopa (Ward 11) (Deceased) Cllr Betty Matebesi (Ward 1) Cllr Festus Omphile Matshogo (Ward 21) Cllr Kgomotso Dorothy Mogapi (Ward 18) Cllr Mmaphuti Dorah Mogale (Ward 19) Cllr Mzusekho Joseph Mbangeni (Ward 12) Cllr Serame William Nawa (Ward 15) Cllr Evert Phillipus du Plessis (Ward 6) Cllr Bernad Schalk Rooskrantz (Ward 8) Cllr Monica Makhuto Sello (Ward 13) Cllr Alwyn Jacobus van Tonder (Ward 3)
Proportional Representative councillors	Cllr Gerald Pierre Bezuidenhout Cllr Eva Johanna Regetta Beaufort Cllr Brian Douglas Blake

General Information

	Cllr EW De Lange Cllr Balderic Clyde Dreyer Cllr Paul Lucky Francis Cllr Sipho Steven Handula Cllr Gerhard Kruger Cllr Thomas Boy Mananiso Cllr Puseletso Sweetness Mapena Cllr Tshipi Bernadette Ntombiyezizwe Mavuso Cllr Soloman May Cllr Gwendoline Mamosupane Ndebele Cllr Patricia Simon Cllr Shanon Steenkamp (Deceased)
Grading of local authority	Grade 4
Capacity of local authority	High capacity
Accounting Officer (Acting)	Mr Mpho Mogale
Chief Finance Officer (CFO)	Mr Samuel Kgatla
Registered office	C/O Sutherland & Pollock street Randfontein 1760
Business address	Corner Sutherland and Pollock Streets Randfontein 1760
Postal address	P O Box 218 Randfontein 1760
Bankers	Nedbank Corporate Banking ABSA Bank Ltd
Auditors	Auditor - General of South Africa
Attorneys	Bhika Calitz Attorneys Fick Attorneys Geldenhuys Van Ryneveld Attorneys Legwale Attorneys Malatji Attorneys Matseke Attorneys Motlatsi Seleke Incorporated Naidoo and Associates Incorporated Steyn and Steyn Attorneys Thaanyane Attorneys

Index

The reports and statements set out below comprise the annual financial statements presented to the council of the municipality:

Index	**Page**
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 14
Appropriation Statement	15 - 18
Accounting Policies	19 - 41
Notes to the Annual Financial Statements	42 - 95
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Income Statement for Agricultural Activities	96
Appendixes:	
Appendix A: Schedule of External loans	97
Appendix B: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	
Appendix C: Analysis of Property, Plant and Equipment	

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements of the municipality set out on pages 5 to 96, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

Accounting Officer (Acting)
Mr L. Steyn
29 August 2014

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 127 352 572 (2013: deficit R 58 530 838).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is continued funding by national government for operational and capital activities.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year to the date of this report.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report was:

Name
M Mogale

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Senior Management

The contracts of some of the senior managers expired during the course of the financial year. However, managers were appointed to act in the senior management positions that were vacant.

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	53 304 724	49 144 411
Trade and other receivables from exchange transactions	4	40 067 231	42 974 345
Trade and other receivables from non exchange transactions	5	23 636 953	19 462 552
VAT receivable	6	4 387 144	3 632 387
Inventories	7	5 406 585	8 027 741
Current portion of long term receivables	8	1 608 028	1 951 244
		128 410 665	**125 192 680**
Non-Current Assets			
Other financial assets	9	10 232 480	9 710 229
Long term receivables	8	5 175 094	3 960 080
Biological assets	10	820 100	972 350
Investment property	11	104 112 415	120 170 093
Property, plant and equipment	12	2 491 756 990	2 554 951 959
Intangible assets	13	37 992 806	37 037 772
Heritage assets	14	1 820 750	2 244 000
		2 651 910 635	**2 729 046 483**
Total Assets		**2 780 321 300**	**2 854 239 163**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	15	222 880 127	146 487 778
Trade and other payables from non exchange transactions	16	2 485 107	643 648
Finance lease obligation	17	9 012 535	21 923 691
Other financial liabilities	18	1 636 499	1 408 403
Unspent conditional grants and receipts	19	21 910 257	45 829 995
Consumer deposits	20	28 751 614	26 068 611
Provisions	21	1 245 253	-
		287 921 392	**242 362 126**
Non-Current Liabilities			
Finance lease obligation	17	-	8 892 931
Other financial liabilities	18	8 090 232	9 726 665
Provisions	21	18 112 712	15 964 113
Employee benefit obligations	22	69 569 819	53 313 611
		95 772 763	**87 897 320**
Total Liabilities		**383 694 155**	**330 259 446**
Net Assets		**2 396 627 145**	**2 523 979 717**
Accumulated surplus		2 396 627 145	2 523 979 717

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	496 532 640	463 932 696
Sale of houses		59 940	42 726
Rental of facilities and equipment	25	1 963 019	1 986 693
Interest received- trading	26	12 863 582	8 474 736
Income from agency services	27	13 562 148	15 885 232
Licences and permits		25 844	57 397
Recoveries		-	3 726 580
Other income	28	4 298 526	11 267 281
Other farming income	29	731 802	2 611 933
Interest received- investment	30	2 339 429	3 471 486
Total revenue from exchange transactions		**532 376 930**	**511 456 760**
Revenue from non-exchange transactions			
Taxation revenue			
Fines		5 204 768	6 447 188
Property rates	31	74 975 018	77 851 488
Transfer revenue			
Government grants and subsidies	32	144 711 259	137 117 586
Public contributions and donations		9 115 233	-
Total revenue from non-exchange transactions		**234 006 278**	**221 416 262**
Total revenue		**766 383 208**	**732 873 022**
Expenditure			
Employee related costs	33	(214 984 795)	(192 311 570)
Remuneration of councillors	34	(14 071 932)	(13 747 483)
Depreciation, amortisation and impairment	35	(104 246 437)	(108 310 168)
Finance costs	36	(24 697 508)	(17 879 006)
Debt impairment	37	(39 316 294)	(36 127 544)
Repairs and maintenance		(15 900 768)	(12 181 453)
Bulk purchases	38	(329 571 713)	(292 647 939)
Contracted services	39	(26 168 249)	(26 703 823)
Grants and subsidies paid	40	(420 000)	(420 000)
Loss on disposal of assets		(15 523 160)	(1 056 793)
General expenses	41	(96 281 443)	(98 646 794)
Total expenditure		**(881 182 299)**	**(800 032 573)**
Operating deficit		**(114 799 091)**	**(67 159 551)**
Fair value adjustments	42	(12 553 481)	8 628 713
Deficit for the year		**(127 352 572)**	**(58 530 838)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 582 753 905	2 582 753 905
Adjustments		
Correction of errors (refer to note 48)	(243 361)	(243 361)
Balance at 01 July 2012 as restated*	**2 582 510 544**	**2 582 510 544**
Changes in net assets		
Deficit for the year	(58 530 838)	(58 530 838)
Total changes	(58 530 838)	(58 530 838)
Opening balance as previously reported	2 535 913 689	2 535 913 689
Adjustments		
Correction of errors (refer to note 48)	(11 933 972)	(11 933 972)
Restated* Balance at 01 July 2013 as restated*	**2 523 979 717**	**2 523 979 717**
Changes in net assets		
Deficit for the year	(127 352 572)	(127 352 572)
Total changes	(127 352 572)	(127 352 572)
Balance at 30 June 2014	**2 396 627 145**	**2 396 627 145**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		578 430 657	641 274 454
Grants		120 791 521	149 123 293
Interest received- investment		2 339 429	3 471 486
		701 561 607	793 869 233
Payments			
Employee costs		(212 800 519)	(204 396 873)
Suppliers		(385 514 816)	(431 067 066)
Finance costs		(22 839 645)	(14 381 306)
Other payments		(420 000)	(420 000)
		(621 574 980)	(650 265 245)
Net cash flows from operating activities	44	**79 986 627**	**143 603 988**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(44 848 962)	(39 079 820)
Proceeds from sale of property, plant and equipment		2 482 270	1 287 770
Proceeds from sale of investment property		68 842	-
Purchase of intangible assets	13	(1 976 942)	(1 088 782)
Increase in other financial assets		(522 251)	(628 281)
Increase in long term receivables		(5 958 984)	(29 208 319)
Net cash flows from investing activities		**(50 756 027)**	**(68 717 432)**
Cash flows from financing activities			
Decrease in other financial liabilities		(1 408 337)	(1 212 467)
Decrease in finance lease obligations		(23 661 950)	(24 479 257)
Net cash flows from financing activities		**(25 070 287)**	**(25 691 724)**
Net increase/ (decrease) in cash and cash equivalents		**4 160 313**	**49 194 832**
Cash and cash equivalents at the beginning of the year		49 144 411	(50 421)
Cash and cash equivalents at the end of the year	3	**53 304 724**	**49 144 411**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 58
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	575 177 543	(220 000)	**574 957 543**	496 532 640	**(78 424 903)**	58.1
Sale of houses	-	-	**-**	59 940	**59 940**	58.2
Rental of facilities and equipment	2 283 000	100 000	**2 383 000**	1 963 019	**(419 981)**	58.3
Interest received (trading)	8 000 000	-	**8 000 000**	12 863 582	**4 863 582**	58.4
Income from agency services	5 000 000	(3 000 000)	**2 000 000**	13 562 148	**11 562 148**	58.5
Licences and permits	14 010 000	29 672 839	**43 682 839**	25 844	**(43 656 995)**	58.6
Other income	12 015 630	(965 200)	**11 050 430**	4 298 526	**(6 751 904)**	58.7
Other farming income	-	-	**-**	731 802	**731 802**	58.8
Interest received - investment	1 440 000	-	**1 440 000**	2 339 429	**899 429**	58.9
Total revenue from exchange transactions	**617 926 173**	**25 587 639**	**643 513 812**	**532 376 930**	**(111 136 882)**	
Revenue from non-exchange transactions						
Taxation revenue						
Fines	2 043 000	1 701 000	**3 744 000**	5 204 768	**1 460 768**	58.10
Property rates	106 438 745	-	**106 438 745**	74 975 018	**(31 463 727)**	58.11
Government grants & subsidies	124 696 780	2 000 000	**126 696 780**	144 711 259	**18 014 479**	58.12
Transfer revenue						
Public contributions and donations	-	-	**-**	9 115 233	**9 115 233**	58.13
Total revenue from non-exchange transactions	**233 178 525**	**3 701 000**	**236 879 525**	**234 006 278**	**(2 873 247)**	
Total revenue	**851 104 698**	**29 288 639**	**880 393 337**	**766 383 208**	**(114 010 129)**	
Expenditure						
Employee related costs	(216 102 736)	9 690 898	**(206 411 838)**	(214 984 795)	**(8 572 957)**	58.14
Remuneration of councillors	(15 193 978)	-	**(15 193 978)**	(14 071 932)	**1 122 046**	58.15
Depreciation and amortisation	(121 325 662)	60 759	**(121 264 903)**	(104 246 437)	**17 018 466**	58.16
Finance costs	(8 656 740)	(8 968 200)	**(17 624 940)**	(24 697 508)	**(7 072 568)**	58.17
Debt impairment	(60 481 035)	-	**(60 481 035)**	(39 316 294)	**21 164 741**	58.18
Repairs and maintenance	(20 023 632)	-	**(20 023 632)**	(15 900 768)	**4 122 864**	58.19
Bulk purchases	(314 396 209)	-	**(314 396 209)**	(329 571 713)	**(15 175 504)**	58.20
Contracted Services	(26 204 268)	(1 600 000)	**(27 804 268)**	(26 168 249)	**1 636 019**	58.21
Grants and subsidies paid	(420 000)	-	**(420 000)**	(420 000)	**-**	58.22
General Expenses	(128 723 161)	(27 498 534)	**(156 221 695)**	(96 281 443)	**59 940 252**	58.23
Total expenditure	**(911 527 421)**	**(28 315 077)**	**(939 842 498)**	**(865 659 139)**	**74 183 359**	
Operating deficit	**(60 422 723)**	**973 562**	**(59 449 161)**	**(99 275 931)**	**(39 826 770)**	
Loss on disposal of assets and liabilities	-	-	**-**	(15 523 160)	**(15 523 160)**	58.24
Fair value adjustments	-	-	**-**	(12 553 481)	**(12 553 481)**	58.25
	-	**-**	**-**	**(28 076 641)**	**(28 076 641)**	
Deficit before taxation	**(60 422 723)**	**973 562**	**(59 449 161)**	**(127 352 572)**	**(67 903 411)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 58
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(60 422 723)**	**973 562**	**(59 449 161)**	**(127 352 572)**	**(67 903 411)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 58
Statement of Financial Position						
Assets						
Current Assets						
Inventories	8 674 542	(646 801)	**8 027 741**	5 406 585	**(2 621 156)**	58.26
Trade and other receivables from non exchange transactions	9 459 692	-	**9 459 692**	23 636 953	**14 177 261**	58.27
VAT receivable	-	-	**-**	4 387 144	**4 387 144**	58.28
Trade and other receivables from exchange transactions	191 694 321	(145 051 514)	**46 642 807**	40 067 231	**(6 575 576)**	58.29
Current portion of long term receivables	19 772 486	2 473 314	**22 245 800**	1 608 028	**(20 637 772)**	58.30
Cash and cash equivalents	3 157 049	3 668 446	**6 825 495**	53 304 724	**46 479 229**	58.31
	232 758 090	**(139 556 555)**	**93 201 535**	**128 410 665**	**35 209 130**	
Non-Current Assets						
Biological assets	1 780 000	1 547 933	**3 327 933**	820 100	**(2 507 833)**	58.32
Investment property	14 222 800	105 947 292	**120 170 092**	104 112 415	**(16 057 677)**	58.33
Property, plant and equipment	2 579 575 347	(70 856 241)	**2 508 719 106**	2 491 756 990	**(16 962 116)**	58.34
Heritage assets	-	2 244 000	**2 244 000**	1 820 750	**(423 250)**	58.35
Intangible assets	15 000 000	22 037 772	**37 037 772**	37 992 806	**955 034**	58.36
Other financial assets	8 941 439	1 468 788	**10 410 227**	10 232 480	**(177 747)**	58.37
Long term receivables	88 189 987	-	**88 189 987**	5 175 094	**(83 014 893)**	58.30
	2 707 709 573	**62 389 544**	**2 770 099 117**	**2 651 910 635**	**(118 188 482)**	
Total Assets	**2 940 467 663**	**(77 167 011)**	**2 863 300 652**	**2 780 321 300**	**(82 979 352)**	
Liabilities						
Current Liabilities						
Other financial liabilities	1 300 000	-	**1 300 000**	1 636 499	**336 499**	58.38
Finance lease obligation	-	-	**-**	9 012 535	**9 012 535**	58.39
Trade and other payables from exchange transactions	162 011 000	(52 736 614)	**109 274 386**	222 880 127	**113 605 741**	58.40
Trade and other payables from non exchange transactions	-	-	**-**	2 485 107	**2 485 107**	58.41
VAT payable	21 780 014	(8 300 000)	**13 480 014**	-	**(13 480 014)**	58.28
Consumer deposits	25 847 500	221 111	**26 068 611**	28 751 614	**2 683 003**	58.42
Unspent conditional grants and receipts	23 445 600	-	**23 445 600**	21 910 257	**(1 535 343)**	58.43
Provisions	15 660 731	303 381	**15 964 112**	1 245 253	**(14 718 859)**	58.44
	250 044 845	**(60 512 122)**	**189 532 723**	**287 921 392**	**98 388 669**	
Non-Current Liabilities						
Other financial liabilities	30 226 123	-	**30 226 123**	8 090 232	**(22 135 891)**	58.38
Employee benefit obligations	50 946 175	(1 856 564)	**49 089 611**	69 569 819	**20 480 208**	58.45
Provisions	4 224 000	-	**4 224 000**	18 112 712	**13 888 712**	58.44
	85 396 298	**(1 856 564)**	**83 539 734**	**95 772 763**	**12 233 029**	
Total Liabilities	**335 441 143**	**(62 368 686)**	**273 072 457**	**383 694 155**	**110 621 698**	
Net Assets	**2 605 026 520**	**(14 798 325)**	**2 590 228 195**	**2 396 627 145**	**(193 601 050)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 58
Net Assets						
Accumulated surplus	2 605 026 520	(14 798 325)	**2 590 228 195**	2 396 627 145	**(193 601 050)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Refer to note 58
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	494 364 139	57 332 197	**551 696 336**	578 430 657	**26 734 321**	58.46
Grants	187 197 580	-	**187 197 580**	120 791 521	**(66 406 059)**	58.47
Interest income	9 440 000	-	**9 440 000**	2 339 429	**(7 100 571)**	58.48
	691 001 719	**57 332 197**	**748 333 916**	**701 561 607**	**(46 772 309)**	
Payments						
Suppliers and employees	(617 607 473)	(30 773 373)	**(648 380 846)**	(598 315 337)	**50 065 509**	58.50
Finance costs	(8 656 740)	-	**(8 656 740)**	(22 839 643)	**(14 182 903)**	58.51
Transfers and grants	(420 000)	-	**(420 000)**	(420 000)	**-**	58.52
	(626 684 213)	**(30 773 373)**	**(657 457 586)**	**(621 574 980)**	**35 882 606**	
Net cash flows from operating activities	**64 317 506**	**26 558 824**	**90 876 330**	**79 986 627**	**(10 889 703)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(62 500 800)	(22 890 377)	**(85 391 177)**	(44 848 962)	**40 542 215**	58.53
Proceeds from sale of property, plant and equipment	5 574 000	-	**5 574 000**	2 482 270	**(3 091 730)**	58.54
Proceeds from sale of investment property	-	-	**-**	68 842	**68 842**	58.55
Purchase of other intangible assets	-	-	**-**	(1 976 942)	**(1 976 942)**	58.56
Decrease/ (increase) in other financial assets	1 228 406	-	**1 228 406**	(522 251)	**(1 750 657)**	58.57
Decrease/ (increase) in long term receivables	(3 816 403)	-	**(3 816 403)**	(5 958 984)	**(2 142 581)**	58.58
Net cash flows from investing activities	**(59 514 797)**	**(22 890 377)**	**(82 405 174)**	**(50 756 027)**	**31 649 147**	
Cash flows from financing activities						
Repayment of other financial liabilities	(3 400 000)	-	**(3 400 000)**	(1 408 337)	**1 991 663**	58.59
Increase/ (decrease) in consumer deposits	1 347 500	-	**1 347 500**	-	**(1 347 500)**	58.60
Finance lease payments	-	-	**-**	(23 661 950)	**(23 661 950)**	58.61
Net cash flows from financing activities	**(2 052 500)**	**-**	**(2 052 500)**	**(25 070 287)**	**(23 017 787)**	
Net increase/(decrease) in cash and cash equivalents	2 750 209	3 668 447	**6 418 656**	4 160 313	**(2 258 343)**	
Cash and cash equivalents at the beginning of the year	250 000	-	**250 000**	49 144 411	**48 894 411**	
Cash and cash equivalents at the end of the year	**3 000 209**	**3 668 447**	**6 668 656**	**53 304 724**	**46 636 068**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	106 438 745	-	106 438 745	-		106 438 745	74 975 018		(31 463 727)	70 %	70 %
Service charges	575 177 543	(220 000)	574 957 543	-		574 957 543	496 532 640		(78 424 903)	86 %	86 %
Investment revenue	1 440 000	-	1 440 000	-		1 440 000	2 339 429		899 429	162 %	162 %
Transfers recognised - operational	124 696 780	2 000 000	126 696 780	-		126 696 780	144 711 259		18 014 479	114 %	116 %
Other own revenue	43 351 630	27 508 639	70 860 269	-		70 860 269	47 824 862		(23 035 407)	67 %	110 %
Total revenue (excluding capital transfers and contributions)	**851 104 698**	**29 288 639**	**880 393 337**	**-**		**880 393 337**	**766 383 208**		**(114 010 129)**	**87 %**	**90 %**
Employee costs	(216 102 736)	9 690 898	(206 411 838)	-	-	(206 411 838)	(214 984 795)	-	(8 572 957)	104 %	99 %
Remuneration of councillors	(15 193 978)	-	(15 193 978)	-	-	(15 193 978)	(14 071 932)	-	1 122 046	93 %	93 %
Debt impairment	(60 481 035)	-	(60 481 035)			(60 481 035)	(39 316 294)	-	21 164 741	65 %	65 %
Depreciation and amortisation	(121 325 662)	60 759	(121 264 903)			(121 264 903)	(104 246 437)	-	17 018 466	86 %	86 %
Finance charges	(8 656 740)	(8 968 200)	(17 624 940)	-	-	(17 624 940)	(24 697 508)	-	(7 072 568)	140 %	285 %
Bulk purchases	(314 396 209)	-	(314 396 209)	-	-	(314 396 209)	(329 571 713)	-	(15 175 504)	105 %	105 %
Grants and subsidies paid	(420 000)	-	(420 000)	-	-	(420 000)	(420 000)	-	-	100 %	100 %
Other expenditure	(174 951 061)	(29 098 534)	(204 049 595)	-	-	(204 049 595)	(153 873 620)	-	50 175 975	75 %	88 %
Total expenditure	**(911 527 421)**	**(28 315 077)**	**(939 842 498)**	**-**	**-**	**(939 842 498)**	**(881 182 299)**	**-**	**58 660 199**	**94 %**	**97 %**
Surplus/(Deficit)	**(60 422 723)**	**973 562**	**(59 449 161)**	**-**		**(59 449 161)**	**(114 799 091)**		**(55 349 930)**	**193 %**	**190 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	70 458 429	(15 032 000)	55 426 429	-		55 426 429	39 149 743		(16 276 686)	71 %	56 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	9 115 233		9 115 233	- %	- %
Surplus/ (Deficit) after capital transfers and contributions	**10 035 706**	**(14 058 438)**	**(4 022 732)**	**-**		**(4 022 732)**	**(66 534 115)**		**(62 511 383)**	**1 654 %**	**(663)%**
Surplus/ (Deficit) for the year	**10 035 706**	**(14 058 438)**	**(4 022 732)**	**-**		**(4 022 732)**	**(66 534 115)**		**(62 511 383)**	**1 654 %**	**(663)%**
Capital expenditure and funds sources											
Total capital expenditure	114 851 458	12 106 340	126 957 798	-		126 957 798	114 426 060		(12 531 738)	90 %	100 %
Sources of capital funds											
Transfers recognised - capital	70 458 429	(15 032 000)	55 426 429	-		55 426 429	39 149 743		(16 276 686)	71 %	56 %
Internally generated funds	55 999 631	-	55 999 631	-		55 999 631	39 735 534		(16 264 097)	71 %	71 %
Total sources of capital funds	**126 458 060**	**(15 032 000)**	**111 426 060**	**-**		**111 426 060**	**78 885 277**		**(32 540 783)**	**71 %**	**62 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash flows from operating activities	64 317 506	26 558 824	90 876 330	-		90 876 330	79 986 627		(10 889 703)	88 %	124 %
Net cash flows from investing activities	(59 514 797)	(22 890 377)	(82 405 174)	-		(82 405 174)	(50 756 027)		31 649 147	62 %	85 %
Net cash flows from financing activities	(2 052 500)	-	(2 052 500)	-		(2 052 500)	(25 070 287)		(23 017 787)	1 221 %	1 221 %
Net increase/(decrease) in cash and cash equivalents	**2 750 209**	**3 668 447**	**6 418 656**	**-**		**6 418 656**	**4 160 313**		**(2 258 343)**	**65 %**	**151 %**
Cash and cash equivalents at the beginning of the year	250 000	-	250 000	-		250 000	49 144 411		48 894 411	19 658 %	19 658 %
Cash and cash equivalents at year end	**3 000 209**	**3 668 447**	**6 668 656**	**-**		**6 668 656**	**53 304 724**		**(46 636 068)**	**799 %**	**1 777 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment of trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating surplus note.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation/ ammortisation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/ (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for debt impairment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Biological assets

The municipality recognises a biological assets or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

1.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	5- 100 years
Infrastructure	5- 100 years
Community assets	5- 100 years
Other assets	3- 10 years
Leased assets	3- 7 years
Library books	3- 50 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

1.7 Intangible assets (continued)

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Servitudes	Indefinite
Computer software	3- 10 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.8 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

1.9 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from non exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Trade and other payables from non exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Finance lease liabilities	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation/ (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation/ (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;

Accounting Policies

1.14 Employee benefits (continued)

- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefits to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions, contingencies and commitments

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.15 Provisions, contingencies and commitments (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.16 Accumulated surplus

The accumulated surplus/ deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/ debited against accumulated surplus/ deficit. Prior year adjustments relating to income and expenditure are debited/ credited against accumulated surplus when retrospective adjustments are made.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Revenue received in advance

The cut-off of period of revenue recognition from the sale of prepaid electricity is determined based on the average time it takes consumers to make additional purchases of electricity.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another party without directly giving approximately equal value in exchange, or gives value to another party without directly receiving approximately equal value in exchange.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Fines satisfy the definition of an asset when the municipality controls the resources as a result of a past event and expects to receive future economic benefits or service potential from those resources.

The municipality obtains control of resources when the resources have been transferred to the municipality, or when the municipality has an enforceable claim against the transferor.

Fines satisfy the criteria for recognition as an asset when it is probable that an inflow of resources will occur and their fair value can be reliably measured.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.19 Value Added Tax (VAT)

The municipality accounts for value added tax on the payment basis.

1.20 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

1.22 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

The approved budget is prepared on a accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after the reporting date

Adjusting events after the reporting date are those that provide evidence of conditions that existed at the reporting date.

Non-adjusting events after the reporting date are those that are indicative of conditions that arose after the reporting date.

The municipality assesses events both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Figures in Rand	2014	2013

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once incurred.

All ammendments are to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in Associates

Amendments were made to definitions and a requirement to include transaction costs on initial recognition of an investment in an associate under the equity method has been included.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 27 and GRAP 31 (as revised 2012)

These standards of GRAP replace the previous Standard of GRAP on Agriculture (GRAP 101) and Standard of GRAP on Intangible assets (GRAP 102) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27) and Intangible assets (IPSAS 31) respectively.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IGRAP1 (as revised 2012): Applying the probability test on initial recognition of revenue

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue (GRAP 9); and
(b) non-exchange revenue (GRAP 23)

All amendments to be applied retrospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

2. New standards and interpretations (continued)

IGRAP16: Intangible assets website costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

The impact of the interpretation is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2014 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and/ or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus/ (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time once it becomes effective.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charge

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised

The standard has been approved by the Accounting Standards Board but its effective date has not et been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Figures in Rand	2014	2013

2. New standards and interpretations (continued)

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.l

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Figures in Rand	2014	2013

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 376	7 450
Bank balances	107 623	48 987 834
Short-term deposits	53 193 725	149 127
	53 304 724	**49 144 411**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	**30 June 2013**	**30 June 2012**	**30 June 2014**	**30 June 2013**	**30 June 2012**
Nedbank - Current account (Primary) 145 409 5334	-	2 286 274	353 271	-	17 299 798	(12 150 418)
Nedbank - Current account (Salaries) 145 409 5393	-	652 613	20 273	-	(6 019 132)	(4 403 718)
Nedbank - Current account (Actaris) 145 409 5377	-	955 877	491 477	-	(6 226 383)	190 707
Nedbank - Current account (Grants) 145 409 5407	-	40 909 105	11 891 426	-	40 909 105	11 891 426
Nedbank - Current account (Special projects) 145 409 5385	-	518 263	498 380	-	518 263	498 380
Nedbank - Current account (Traffic) 145 409 8058	-	3 376 423	3 395 797	-	1 520 880	4 037 538
Nedbank - Current account (Elandsfontein farm) 145 409 8031	-	63 344	61 624	-	63 344	61 624
Nedbank - Current account (Traffic fines) 145 411 8679	-	152 651	65 595	-	921 958	(31 304)
Petty cash and cash floats	-	-	-	3 376	7 450	2 585
Nedbank call account	-	-	-	-	149 128	149 127
ABSA - Current account (Primary) 408 090 6149	3 797 938	-	-	56 616	-	-
ABSA - Current account (Salaries) 408 090 6204	158 356	-	-	39 709	-	-
ABSA - Current account (Actaris) 408 090 6262	282 955	-	-	486	-	-
ABSA - Current account (Grants) 408 090 6288	169	-	-	169	-	-
ABSA - Current account (Traffic) 408 090 6319	1 203 993	-	-	10 802	-	-
ABSA - Current account (Traffic fines) 408 090	-	-	-	(159)	-	-
Investec call account	53 178 725	-	-	53 178 725	-	-
ABSA- Account 929 523 5598	15 000	-	-	15 000	-	-
Total	**58 637 136**	**48 914 550**	**16 777 843**	**53 304 724**	**49 144 411**	**245 947**

4. Trade and other receivables from exchange transactions

Reconciliation of gross balances to net balances

Gross balances		
Electricity	35 411 821	41 597 769
Water	31 821 215	36 492 682
Sewerage	10 659 397	10 372 505
Refuse	10 740 282	11 201 558
Other	44 067 929	26 093 359
VAT	15 458 159	11 056 580
	148 158 803	**136 814 453**

Figures in Rand	2014	2013

4. Trade and other receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(28 844 769)	(27 384 959)
Water	(25 920 033)	(29 393 511)
Sewerage	(8 682 633)	(7 605 889)
Refuse	(8 748 518)	(8 260 692)
Other Levies	(35 895 619)	(21 195 057)
	(108 091 572)	**(93 840 108)**
Net balance		
Electricity	6 567 052	14 212 810
Water	5 901 182	7 099 171
Sewerage	1 976 764	2 766 616
Refuse	1 991 764	2 940 866
Other Levies	8 172 310	4 898 302
VAT	15 458 159	11 056 580
	40 067 231	**42 974 345**

The ageing of consumer receivables is as follows:

Electricity		
Current (0 -30 days)	10 651 693	178 404
31 - 60 days	1 584 220	11 157 836
61 - 90 days	788 938	2 106 765
91 - 120 days	716 790	(581 405)
121 - 365 days	4 015 949	1 175 491
> 365 days	17 654 232	27 560 678
Allowance for impairment	(28 844 770)	(27 384 959)
	6 567 052	**14 212 810**
Water		
Current (0 -30 days)	3 910 845	61 530
31 - 60 days	1 256 311	3 035 673
61 - 90 days	1 473 564	1 325 779
91 - 120 days	839 111	(363 940)
121 - 365 days	3 973 510	10 266 371
> 365 days	20 367 873	22 164 269
Allowance for impairment	(25 920 032)	(29 390 511)
	5 901 182	**7 099 171**
Sewerage		
Current (0 -30 days)	1 525 194	368 320
31 - 60 days	498 871	1 205 704
61 - 90 days	346 053	494 248
91 - 120 days	307 237	(10 136)
121 - 365 days	1 678 257	137 934
> 365 days	6 303 784	8 176 436
Allowance for impairment	(8 682 632)	(7 605 890)
	1 976 764	**2 766 616**

Figures in Rand	2014	2013

4. Trade and other receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	1 850 736	1 510
31 - 60 days	603 507	1 650 123
61 - 90 days	362 900	584 535
91 - 120 days	305 936	(1 020)
121 - 365 days	1 563 256	449 583
> 365 days	6 053 945	8 516 826
Allowance for impairment	(8 748 516)	(8 260 691)
	1 991 764	**2 940 866**
Other		
Current (0 -30 days)	3 198 597	(410 377)
31 - 60 days	2 131 420	1 295 897
61 - 90 days	1 651 153	794 082
91 - 120 days	1 711 024	627 172
121 - 365 days	9 151 239	1 315 886
> 365 days	26 224 496	22 470 699
Allowance for impairment	(35 895 619)	(21 195 057)
	8 172 310	**4 898 302**
VAT		
Current (0 -30 days)	2 667 959	172 383
31 - 60 days	632 852	2 381 117
61 - 90 days	501 567	729 801
91 - 120 days	407 008	487 167
121 - 365 days	1 742 915	3 634 801
> 365 days	9 505 858	3 651 311
	15 458 159	**11 056 580**

Figures in Rand	2014	2013

4. Trade and other receivables from exchange transactions (continued)

Summary of trade and other receivables from exchange transactions by customer classification

Consumers		
Current (0 -30 days)	14 965 306	129 897
31 - 60 days	5 336 733	9 416 444
61 - 90 days	3 836 156	4 049 104
91 - 120 days	3 771 319	(958 782)
121 - 365 days	19 078 087	15 097 716
> 365 days	80 568 482	88 581 256
	127 556 083	116 315 635
Less: Allowance for impairment	(94 684 896)	(86 496 450)
	32 871 187	**29 819 185**
Industrial and business		
Current (0 -30 days)	7 976 307	239 972
31 - 60 days	1 030 714	11 043 732
61 - 90 days	1 099 543	1 906 362
91 - 120 days	395 001	1 066 006
121 - 365 days	2 371 106	1 847 750
> 365 days	5 188 320	3 790 690
	18 060 991	19 894 512
Less: Allowance for impairment	(13 406 676)	(7 107 036)
	4 654 315	**12 787 476**
National and provincial government		
Current (0 -30 days)	863 411	1 899
31 - 60 days	339 735	266 174
61 - 90 days	188 477	79 743
91 - 120 days	120 787	50 614
121 - 365 days	675 934	37 601
> 365 days	353 387	168 724
	2 541 731	604 755
Less: Allowance for impairment	-	(236 620)
	2 541 731	**368 135**
Total		
Current (0 -30 days)	23 805 024	371 768
31 - 60 days	6 707 181	20 726 350
61 - 90 days	5 124 176	6 035 209
91 - 120 days	4 287 107	157 838
121 - 365 days	22 125 127	16 983 066
> 365 days	86 110 188	92 540 220
	148 158 803	136 814 451
Less: Allowance for impairment	(108 091 572)	(93 840 106)
	40 067 231	**42 974 345**

Figures in Rand	2014	2013

4. Trade and other receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(93 840 108)	(122 226 855)
Contributions to allowance	(31 987 301)	-
Debt impairment written off against allowance	17 735 837	-
Reversal of allowance	-	28 386 747
	(108 091 572)	**(93 840 108)**

Trade and other receivables from exchange transactions pledged as security

No trade and other receivables from exchange transactions were pledged as security for liabilities. (2013: R -)

Credit quality of trade and other receivables from exchange transactions

The credit quality of consumer receivables from exchange transactions that are neither past nor due nor impaired can be assessedby reference to external credit ratings or to historical information about counterparty default rates. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Trade and other receivables from exchange transactions past due but not impaired

Trade and other receivables from exchange transactions in respect of government debtors are not considered to be impaired for 2014. At 30 June 2014, R 2 541 731 (2013: R -) were past due but not impaired.

Trade and other receivables from exchange transactions impaired

As of 30 June 2014, trade and other receivables from exchange transactions of R 145 617 072 (2013: R 136 814 451) were impaired and provided for.

The amount of the provision was R 108 091 572 as of 30 June 2014 (2013: R 93 840 106).

5. Trade and other receivables from non exchange transactions

Other debtors	424 540	112 346
Department of Health	3 422 445	3 422 445
Property rates	19 789 968	15 927 761
	23 636 953	**19 462 552**

Figures in Rand	2014	2013

5. Trade and other receivables from non exchange transactions (continued)

Property rates

The ageing of receivables in respect of property rates is as follows:

Current (0- 30 days)	4 589 777	155 700
31- 60 days	1 123 228	3 645 415
61- 90 days	1 948 833	1 396 690
91- 120 days	813 263	(3 484 488)
121- 365 days	4 703 338	42 636 704
> 365 days	93 535 926	70 523 024
Allowance for impairment	(86 924 397)	(98 945 284)
	19 789 968	**15 927 761**

Summary of trade and other receivables from non exchange transactions by customer classification

Consumers

Current (0- 30 days)	2 826 124	54 402
31- 60 days	893 723	1 430 315
61- 90 days	1 458 972	849 363
91- 120 days	715 418	(3 832 009)
121- 365 days	4 039 151	38 762 265
> 365 days	87 516 330	67 480 665
Allowance for impairment	(80 031 826)	(90 987 246)
	17 417 892	**13 757 755**

Industrial and business

Current (0- 30 days)	1 591 620	100 503
31- 60 days	172 610	2 162 969
61- 90 days	418 180	525 351
91- 120 days	74 932	331 769
121- 365 days	499 574	3 797 169
> 365 days	5 635 736	2 913 046
Allowance for impairment	(6 892 572)	(7 701 623)
	1 500 080	**2 129 184**

National and provincial government

Current (0- 30 days)	172 034	796
31- 60 days	56 894	52 131
61- 90 days	71 681	21 976
91- 120 days	22 913	15 752
121- 365 days	164 613	77 270
> 365 days	383 862	129 314
Allowance for impairment	-	(256 417)
	871 997	**40 822**

Reconciliation of allowance for impairment

Opening balance	(98 945 283)	(57 800 833)
Contributions to allowance	(2 241 807)	(41 144 451)
Amounts written off as uncollectable	14 262 693	-
	(86 924 397)	**(98 945 284)**

Trade and other receivables from non exchange transactions pledged as security

No trade and other receivables from non exchange transactions were pledged as security for liabilities. (2013: R -)

Figures in Rand	2014	2013

5. Trade and other receivables from non exchange transactions (continued)

Credit quality of trade and other receivables from non exchange transactions

The credit quality of consumer receivables from non exchange transactions that are neither past nor due nor impaired can be assessedby reference to external credit ratings or to historical information about counterparty default rates. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Trade and other receivables from non exchange transactions past due but not impaired

Trade and other receivables from non exchange transactions in respect of government debtors are not considered to be impaired for 2014. At 30 June 2014, R 871 997 (2013: R -) were past due but not impaired.

Trade and other receivables from non exchange transactions impaired

As of 30 June 2014, trade and other receivables from non exchange transactions of R 105 842 368 (2013: R 114 873 045) were impaired and provided for.

The amount of the provision was R 86 924 397 as of 30 June 2014 (2013: R 98 945 284).

6. VAT receivable

VAT	4 387 144	3 632 387

7. Inventories

Consumable stores	5 229 492	7 912 281
Unsold water	177 093	115 460
	5 406 585	**8 027 741**

Inventory pledged as security

No inventory was pledged as security for liabilities (2013: R -)

8. Long term receivables

Consumer receivables with long term arrangements	6 783 122	5 911 324
Reconciliation of gross balances to net balances		
Long term receivables	35 167 303	29 208 319
Allowance for impairment	(28 384 181)	23 296 995
	6 783 122	**52 505 314**
Non current portion	5 175 094	3 960 080
Current portion	1 608 028	1 951 244
	6 783 122	**5 911 324**

Long term receivables pledged as security

No long term receivables were pledged as security for liabilities. (2013: R -).

Figures in Rand	2014	2013

8. Long term receivables (continued)

Credit quality of long term receivables

The credit quality of long term receivables that are neither past nor due nor impaired can be assessedby reference to external credit ratings or to historical information about counterparty default rates. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Long term receivables past due but not impaired

All long term receivables that are past due were considered to be impared. At 30 June 2013 all long term receivables that were past due were imapred.

Long term receivables impaired

As of 30 June 2014, long term receivables of R 35 167 303 (2013: R 29 208 319) were impaired and provided for.
The amount of the provision was R 28 384 181 as of 30 June 2014 (2013: R 23 296 995).

9. Other financial assets

At amortised cost		
Bond investment The above is a zero coupon bond investment held with Stanlib for a period of 20 years from 2 July 1998.	10 232 480	9 710 229
Non-current assets		
At amortised cost	10 232 480	9 710 229

Financial assets pledged as collateral

Collateral

Carrying value of financial assets pledged as collateral for liabilities The above financial assets have been pledged as security for other financial liabilities with a carrying amount of R9 726 731 (2013: R 11 135 068). Refer to note 18.	10 232 480	9 710 229

10. Biological assets

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Dairy cattle	820 100	-	820 100	972 350	-	972 350

Reconciliation of biological assets - 2014

	Opening balance	**Losses arising from changes in fair value**	**Total**
Dairy cattle	972 350	(152 250)	820 100

Figures in Rand	2014	2013

10. Biological assets (continued)

Reconciliation of biological assets - 2013

	Opening balance	Gains arising from changes in fair value	Derecognition	Total
Dairy cattle	1 203 900	(231 550)	-	972 350
Maize at point of harvest	575 933	-	(575 933)	-
	1 779 833	**(231 550)**	**(575 933)**	**972 350**

Non - Financial information

Quantities of each biological asset		
Dairy cattle	138	148
Cows in production	43	43
Cows not in production	41	48
Heifers	46	52
Calves	8	5
	138	**148**

Pledged as security

No biological assets were pledged as security for liabilities.

Details of valuation

The effective date of the revaluations was 30 June 2014. Revaluations were performed by an independent valuer, Mr Hendrik Nel. Mr Hendrik Nel is not connected to the municipality and has recent experience in the valuation of biological assets.

The valuation was based on open market value for existing use.

11. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Improved and unimproved land	104 112 415	-	104 112 415	120 170 093	-	120 170 093

Reconciliation of investment property - 2014

	Opening balance	Disposals	Fair value adjustments	Total
Improved and unimproved land	120 170 093	(4 079 697)	(11 977 981)	104 112 415

Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Total
Improved and unimproved land	111 309 831	8 860 262	120 170 093

Figures in Rand	2014	2013

11. Investment property (continued)

Pledged as security

No investment property was pledged as security for liabilities.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2014. Revaluations were performed by an independent valuer, Mr Rob Childs (Professional Engineer- Pr Eng Pr CPM). Mr Rob Childs is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

12. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and buildings	250 020 547	(165 496 197)	84 524 350	282 490 595	(184 296 836)	98 193 759
Infrastructure	3 789 400 226	(1 712 606 049)	2 076 794 177	3 774 994 805	(1 649 103 342)	2 125 891 463
Community assets	350 299 972	(171 481 664)	178 818 308	340 825 316	(163 830 942)	176 994 374
Other assets	39 356 141	(19 727 228)	19 628 913	47 153 039	(20 936 963)	26 216 076
Leased assets	60 977 052	(36 975 690)	24 001 362	62 153 711	(25 742 805)	36 410 906
Capital work in progress	102 158 612	-	102 158 612	84 776 688	-	84 776 688
Library books	11 853 981	(6 022 713)	5 831 268	11 522 290	(5 053 597)	6 468 693
Total	**4 604 066 531**	**(2 112 309 541)**	**2 491 756 990**	**4 603 916 444**	**(2 048 964 485)**	**2 554 951 959**

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Derecognition	Depreciation	Impairment loss	Total
Land and buildings	98 193 759	-	(9 426 600)	1 510 859	-	(5 753 668)	-	84 524 350
Infrastructure	2 125 891 463	-	-	15 144 729	(384 806)	(63 857 209)	-	2 076 794 177
Community assets	176 994 374	-	-	10 016 516	(322 325)	(7 870 257)	-	178 818 308
Other assets	26 216 076	1 164 773	-	-	(3 770 174)	(3 981 762)	-	19 628 913
Leased assets	36 410 906	-	-	-	-	(12 409 544)	-	24 001 362
Capital work in progress	84 776 688	52 431 221	-	(26 672 103)	-	-	(8 377 194)	102 158 612
Library books	6 468 693	368 200	-	-	(30 730)	(974 895)	-	5 831 268
	2 554 951 959	**53 964 194**	**(9 426 600)**	**1**	**(4 508 035)**	**(94 847 335)**	**(8 377 194)**	**2 491 756 990**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Derecognition	Depreciation	Total
Land and buildings	105 943 837	-	-	-	(7 750 078)	98 193 759
Infrastructure	2 184 993 479	-	14 737 398	(245 882)	(73 593 532)	2 125 891 463
Community assets	183 403 730	-	3 013 847	(268 507)	(9 154 696)	176 994 374
Other assets	25 474 582	5 318 604	-	-	(4 577 110)	26 216 076
Leased assets	48 947 921	-	-	-	(12 537 015)	36 410 906
Capital work in progress	69 414 645	33 761 216	(17 751 245)	(647 928)	-	84 776 688
Library books	7 075 698	-	-	-	(607 005)	6 468 693
	2 625 253 892	**39 079 820**	**-**	**(1 162 317)**	**(108 219 436)**	**2 554 951 959**

Pledged as security

Carrying value of assets pledged as security:

No property, plant and equipment have been pledged as security for liabilities.

Figures in Rand	2014	2013

12. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Leased assets- Motor vehicles	24 001 362	36 410 906

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

13. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Servitudes	36 039 722	-	36 039 722	36 039 722	-	36 039 722
Computer software	3 065 724	(1 112 640)	1 953 084	1 088 782	(90 732)	998 050
Total	**39 105 446**	**(1 112 640)**	**37 992 806**	**37 128 504**	**(90 732)**	**37 037 772**

Reconciliation of intangible assets - 2014

	Opening balance	**Additions**	**Amortisation**	**Total**
Servitudes	36 039 722	-	-	36 039 722
Computer software	998 050	1 976 942	(1 021 908)	1 953 084
	37 037 772	**1 976 942**	**(1 021 908)**	**37 992 806**

Reconciliation of intangible assets - 2013

	Opening balance	**Additions**	**Derecognition**	**Amortisation**	**Total**
Servitudes	36 039 722	-	-	-	36 039 722
Computer software	563 587	1 088 782	(563 587)	(90 732)	998 050
	36 603 309	**1 088 782**	**(563 587)**	**(90 732)**	**37 037 772**

Pledged as security

No intangible assets were pledged as security for liabilities.

14. Heritage assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Paintings and other artifacts	1 820 750	-	1 820 750	2 244 000	-	2 244 000

Reconciliation of heritage assets - 2014

	Opening balance	**Revaluations**	**Total**
Paintings and other artifacts	2 244 000	(423 250)	1 820 750

Figures in Rand	2014	2013

14. Heritage assets (continued)

Reconciliation of heritage assets - 2013

	Opening balance	Revaluations	Total
Paintings and other artifacts	2 195 000	49 000	2 244 000

Pledged as security
No heritage assets have been pledged as security for liabilities.

Details of heritage assets
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation
The effective date of the revaluations was 30 June 2014. Revaluations were performed by an independent valuer, Mrs Ann Inggs. Mrs A. Inggs is not connected to the municipality and has recent experience in the valuation of heritage assets.

The valuation was based on open market value.

15. Trade and other payables from exchange transactions

Trade payables	173 244 367	116 290 742
Payments received in advance	3 278 359	4 968 343
Retention monies payable	8 073 662	6 733 917
Stores creditors	583 476	583 476
Accrued leave pay	13 600 876	13 641 423
Accrued annual bonus	3 467 604	3 713 118
Payrol accruals	343 022	556 759
Other payables (receivables with credit balances)	20 288 761	-
	222 880 127	**146 487 778**

16. Trade and other payables from non exchange transactions

Unallocated receipts	2 485 107	643 648

This relates to unknown direct deposits made into the municipality's bank account.

Figures in Rand	2014	2013

17. Finance lease obligation

Minimum lease payments due		
- within one year	9 289 781	23 707 703
- in second to fifth year inclusive	-	9 174 500
	9 289 781	32 882 203
less: future finance charges	(277 246)	(2 065 581)
Present value of minimum lease payments	**9 012 535**	**30 816 622**
Present value of minimum lease payments due		
- within one year	9 012 535	21 923 691
- in second to fifth year inclusive	-	8 892 931
	9 012 535	**30 816 622**
Non-current liabilities	-	8 892 931
Current liabilities	9 012 535	21 923 691
	9 012 535	**30 816 622**

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 3 years and the average effective borrowing rate was at 8% (2013:9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 12.

18. Other financial liabilities

At amortised cost		
Development Bank of Southern Africa (DBSA) loan Interest rate on the loan is fixed at 15.5% per annum compounded semi annually. The loan period is 20 years. The loan is secured by financial assets whose carrying value is R10 232 480 (2013: R9 710 229). Refer to note 7.	9 726 731	11 135 068
Non-current liabilities		
At amortised cost	8 090 232	9 726 665
Current liabilities		
At amortised cost	1 636 499	1 408 403

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Early Childhood Development Grant (Department of Social Development)	11 124 523	9 576 292
Electricity Demand Side Management Grant	2 914	-
Integrated National Electrification Program (Department of Minerals and Energy)	-	3 348 533
Library Grant (Department of Sports, Recreation, Arts and Culture)	-	408 169
Municipal infrastructure Grant	6 197 349	28 506 784
Other Grants	595 254	-
Public Donation	3 990 217	3 990 217
	21 910 257	**45 829 995**

See note 32 for reconciliation of grants.

Figures in Rand	2014	2013

20. Consumer deposits

Water and Electricity	28 751 614	26 068 611

Guarantees amounting to R1,180,146 were provided in respect of water and electricity. (2013: R1,180,146)

21. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	4 917 952	438 435	(640 540)	4 715 847
Performance bonus	11 046 161	3 595 957	-	14 642 118
	15 964 113	**4 034 392**	**(640 540)**	**19 357 965**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	4 470 866	447 086	-	4 917 952
Provision for settlement	2 926 424	-	(2 926 424)	-
Performance bonus	7 238 908	3 807 253	-	11 046 161
	14 636 198	**4 254 339**	**(2 926 424)**	**15 964 113**

Non-current liabilities	18 112 712	15 964 113
Current liabilities	1 245 253	-
	19 357 965	**15 964 113**

Environmental rehabilitation

Estimates of the provision were performed by an independent valuer, Mr Rob Childs (Professional Engineer- Pr Eng Pr CPM). Mr Rob Childs is not connected to the municipality and has recent experience in the valuation of provisions for environmental rehabilitation.

The calculated provision for the restoration over the next four four years was done using a rate of 10.25% based on the following assumptions:

- closure over four years
- no additional waste will be deposited on site
- closure will start in 2015
- compacting the waste body, constructing a 150mm founding and gas drainage layer, CGL, 200mm of completed soil (in 2 x 100mm layers) and covered by 200mm of top soil, with 10% discount, and
- an 6% escalation.

Performance bonus

Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision was calculated as 14% of the total package of qualifying employees.

Provision for settlement

Provision for settlement relates to arbitration costs in respect of employee disputes in prior periods.

Figures in Rand	2014	2013

22. Employee benefit obligations

Post retirement medical benefits	66 504 071	50 291 612
Long service award liability	3 065 748	3 021 999
	69 569 819	**53 313 611**

Post retirement medical benefits

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. Qualifying members receive a post employment subsidy for which the municipality is liable.

The municipality operates an unfunded defined benefit plan for these qualifying employees.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

At the valuation date individuals entitled to a post retirement medical aid subsidy were:
In - service (employee) members: 475 (2013: 437)
In - service (employee) non - members: 298 (2013: 426)
Continuation (retiree and widow) members: 33 (2013: 27)

The current service costs are estimated at R3,707,786 for the current year ending 30 June 2014 (2013: R2,860,947).

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(50 291 612)	(49 075 773)
Increase in provision	(16 212 459)	(1 215 839)
	(66 504 071)	**(50 291 612)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(50 291 612)	(49 075 773)
Benefits paid	1 121 976	1 064 760
Net expense recognised in the statement of financial performance	(17 334 435)	(2 280 599)
	(66 504 071)	**(50 291 612)**

Net expense recognised in the statement of financial performance

Current service cost	3 707 786	2 860 947
Interest cost	4 480 919	3 917 536
Actuarial (gains)/ losses	9 145 730	(4 497 884)
	17 334 435	**2 280 599**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,01%	9,02%
Health care cost inflation rate	8,17%	7,81%
Net effective discount rate	0,78%	1,11%
Average retirement age	60 years	60 years

Figures in Rand	2014	2013

22. Employee benefit obligations (continued)

Long service award liability

The Municipality offers employees a long service bonus for every complete ten-year period of service. The long service award is paid on retirement, resignation or death. The amount payable is reviewed periodically and is assumed to increase in line with expected CPI inflation.

The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet its liability.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

At year end, 773 employees (2013: 863) were eligible for long service awards. The current service cost for the year ending 30 June 2014 is estimated to be R237,321 (2013: R214,804).

The expected remaining working lifetime of eligible employees is 15 years (2013: 16.2 years).

The amounts recognised in the statement of financial position are as follows:		
Carrying amount		
Present value of the defined benefit obligation-wholly unfunded	(3 021 999)	(2 575 658)
Increase in provision	(43 749)	(446 341)
	(3 065 748)	**(3 021 999)**
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(3 021 999)	(2 575 658)
Benefits paid	365 000	75 000
Net expense recognised in the statement of financial performance	(408 749)	(521 341)
	(3 065 748)	**(3 021 999)**
Net expense recognised in the statement of financial performance		
Current service cost	237 321	214 804
Interest cost	265 410	206 078
Actuarial (gains)/ losses	(93 982)	100 459
	408 749	**521 341**
Key assumptions used		
Discount rate	9,13%	8,78%
Expected inflation	6,70%	6,01%
Net effective discount rate	2,27%	2,61%
Average retirement age	60 years	60 years

23. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At amortised cost	Total
Other financial assets	10 232 480	10 232 480
Trade and other receivables from exchange transactions	40 067 231	40 067 231
Trade and other receivables from non exchange transactions	23 636 953	23 636 953
Long term receivables	6 783 122	6 783 122
Cash and cash equivalents	53 304 724	53 304 724
	134 024 510	**134 024 510**

Figures in Rand	2014	2013

. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	9 726 731	9 726 731
Trade and other payables from exchange transactions	222 880 127	222 880 127
Trade and other payables from non exchange transactions	2 485 107	2 485 107
Finance lease obligation	9 012 535	9 012 535
	244 104 500	**244 104 500**

2013

Financial assets

	At amortised cost	Total
Other financial assets	9 710 229	9 710 229
Trade and other receivables from exchange transactions	42 974 345	42 974 345
Trade and other receivables from non exchange transactions	19 462 552	19 462 552
Long term receivables	5 911 324	5 911 324
Cash and cash equivalents	49 144 411	49 144 411
	127 202 861	**127 202 861**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	11 135 068	11 135 068
Trade and other payables from exchange transactions	146 487 789	146 487 789
Trade and other payables from non exchange transactions	643 648	643 648
Finance lease obligation	30 816 622	30 816 622
	189 083 127	**189 083 127**

24. Service charges

Sale of electricity	358 517 740	322 928 449
Sale of water	68 155 035	68 052 939
Sewerage and sanitation charges	31 085 202	30 473 465
Refuse removal	38 506 420	35 377 591
Other service charges	268 243	7 100 252
	496 532 640	**463 932 696**

25. Rental of facilities and equipment

Facilities and equipment

Rental of equipment	53 406	53 623
Rental of buildings	476 539	458 253
Rental of facilities	31 590	71 061
Rental of land	105 332	156 352
Rental of housing	1 296 152	1 247 404
	1 963 019	**1 986 693**

Figures in Rand	2014	2013

26. Interest received- trading

Interest levied on trade and other receivables from exchange and non- exchange transactions	12 863 582	8 474 736

27. Income from agency services

Agency services for collection of traffic fines	13 562 148	15 885 232

The municipality has an arrangement with the Department of Transport in which it collects traffic fines on behalf of the department and receives an agreed fee for the service provided.

28. Other income

Actuarial gains on employee benefit obligations	-	4 397 425
Administration fees	216 704	2 284 889
Advertising	222 833	194 975
Building plan fees	827 586	783 444
Burial fees	921 213	1 254 099
Clearance certificates	175 394	105 480
Commission	-	207 359
Discount received	-	18 427
New electricity connections	458 903	593 438
Other revenue	791 415	825 781
Photocopying	128 140	127 812
Recoveries	-	110 538
Sale of bins	55 169	22 064
Tender documents	501 169	284 484
Town planning schemes	-	57 066
	4 298 526	**11 267 281**

29. Other farming income

Sale of farm produce	731 802	2 611 933

Other farming income relates to the sale of maize and milk produce from the Elandsfontein farm.

30. Interest received- investment

Interest revenue		
Interest earned	2 339 429	3 471 486

Figures in Rand	2014	2013

31. Property rates

Rates received

Assessment rates levied	111 046 946	112 061 772
Less: Income forgone	(36 071 928)	(34 210 284)
	74 975 018	**77 851 488**

Valuations

Residential	6 562 991 851	6 519 095 000
Commercial	1 652 131 203	1 660 251 000
Other	1 989 711 201	1 964 749 000
	10 204 834 255	**10 144 095 000**

Property rates are based on market values of the properties in terms of the Municipal Property Rates Act, 2004 (Act No.6 of 2004). The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, subdivisions and rezonings.

A general rate as approved for in the Property Rates Policy is applied to property valuations to determine assessment rates.Rebates are granted to certain property owners in accordance with the Property Rates Policy.

Rates are calculated on an annual basis, levied monthly and are payable by the 7th day of the following month. Interest as determined by the South African Revenue Services is levied on outstanding rates.

Figures in Rand	2014	2013

32. Government grants and subsidies

Equitable share	95 880 000	92 992 000
Library Grant (Department of Sports, Recreation, Arts and Culture)	3 108 169	2 411 832
Grant (West Rand District Municipality)	-	2 030 874
Integrated National Electrification Program (Department of Minerals and Energy)	9 348 533	6 651 468
Skills Development Grant	100 199	654 371
Municipal Infrastructure Grant	23 272 435	24 231 599
Finance Management Grant	1 300 000	1 250 000
Aids Distrtict Programme	1 748 022	-
Early Childhood Development Grant (Department of Social Development)	1 451 770	1 504 538
Municipal Systems Improvement Grant	890 000	1 000 000
Developers Contribution (Public Donation)	-	1 966 978
Learnership Grant	210 600	269 500
Expanded Public Works Program	1 000 000	1 000 000
Other Grants	1 404 746	458 227
National Lottery Grant	-	696 199
Electricity Demand Side Management Grant	4 996 785	-
	144 711 259	**137 117 586**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants	48 831 259	44 125 586
Unconditional grants	95 880 000	92 992 000
	144 711 259	**137 117 586**

Equitable Share

Current year receipts	76 811 000	92 992 000
Other	19 069 000	-
	95 880 000	**92 992 000**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a subsidy of 100% rebate on property rates and taxes, 100% rebate on refuse and sewer tariffs, 100kW electricity and 10Kl water.

Of the 19 069 000 disclosed as other receipts above, 3 047 000 represents amounts refunded to the National Treasury by way of deduction from the municipality's equitable share in 2014. This related to unapproved applications for the roll over of unspent municipal infrastructure grants in 2013. 16 022 000 represents the balance of unspent municipal infrastructure grants in 2012 which National Treasury offset against the municipality's allocation of equitable share in 2014.

Library Grant (Department of Sports, Recreation, Arts and Culture)

Balance unspent at beginning of year	408 169	-
Current-year receipts	2 700 000	2 820 000
Conditions met - transferred to revenue	(3 108 169)	(2 411 831)
	-	**408 169**

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is to support the municipality with the administration of libraries.

Grant (West Rand District Municipality)

Figures in Rand	2014	2013

32. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	87 735
Current-year receipts	-	1 943 139
Conditions met - transferred to revenue	-	(2 030 874)
	-	**-**

The purpose of the grant is to enhance awareness programmes offered communities to prevent and mitigate the impact of HIV/Aids

Integrated National Electrification Program (Department of Minerals and Energy)

Balance unspent at beginning of year	3 348 533	-
Current-year receipts	6 000 000	10 000 000
Conditions met - transferred to revenue	(9 348 533)	(6 651 467)
	-	**3 348 533**

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to Municipalities to address the electrification backlog of occupied residential dwellings, and the installations of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Skills Development Grant

Current-year receipts	100 201	654 371
Conditions met - transferred to revenue	(100 201)	(654 371)
	-	**-**

The purpose of the grant is to recruit unemployed graduates in municipalities to be trained as per the requirements of the relevant statutory council/ professional body within the built environment

Municipal Infrastructure Grant

Balance unspent at beginning of year	28 506 784	16 002 383
Current-year receipts	20 032 000	36 736 000
Conditions met - transferred to revenue	(23 272 435)	(24 231 599)
Other	(19 069 000)	-
	6 197 349	**28 506 784**

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions servicing poor communities.

Of the 19 069 000 disclosed as other deductions above, 3 047 000 represents amounts refunded to the National Treasury by way of deduction from the municipality's equitable share in 2014. This related to unapproved applications for the roll over of unspent municipal infrastructure grants in 2013.16 022 000 represents the balance of unspent grants in 2012 which National Treasury offset against the municipality's allocation of equitable share in 2014.

Finance Management Grant

Current-year receipts	1 300 000	1 250 000
Conditions met - transferred to revenue	(1 300 000)	(1 250 000)
	-	**-**

The purpose of this grant is to promote and support reforms in financial management by building capacity in the municipality to implement the municipal finance management act (MFMA).

Figures in Rand	2014	2013

32. Government grants and subsidies (continued)

Aids Distrtict Programme

Current-year receipts	1 748 022	-
Conditions met - transferred to revenue	(1 748 022)	-
	-	**-**

The purpose of the grant is to enhance awareness programmes offered communities to prevent and mitigate the impact of HIV/Aids

Public Donation

Balance unspent at beginning of year	3 990 217	3 990 217

Conditions still to be met - remain liabilities (see note 19).

The purpose of the donations is to assist in minimizing infrastructure backlog.

Early Childhood Development Grant (Department of Social Development)

Balance unspent at beginning of year	9 576 292	11 080 829
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(1 451 769)	(1 504 537)
	11 124 523	**9 576 292**

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is to promote social development within the communities

Municipal Systems Improvement Grant

Current-year receipts	890 000	1 000 000
Conditions met - transferred to revenue	(890 000)	(1 000 000)
	-	**-**

The purpose of the grant is to assist the municipality to perform its functions and stabilize institutional and governance systems as required in the Municipal Systems Act and related legislation.

Developers Contribution (Public Donation)

Balance unspent at beginning of year	-	1 966 978
Conditions met - transferred to revenue	-	(1 966 978)
	-	**-**

The purpose of the donations is to assist in minimizing infrastructure backlog.

Learnership Grant

Current-year receipts	210 600	269 500
Conditions met - transferred to revenue	(210 600)	(269 500)
	-	**-**

The purpose of the grant is to recruit unemployed graduates in municipalities to be trained as per the requirements of the relevant statutory council/ professional body within the built environment.

Expanded Public Works Program

Figures in Rand	2014	2013

32. Government grants and subsidies (continued)

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	**-**

The purpose of the grant is to provide expanded public works programme funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximized.

Other Grants

Current-year receipts	2 000 000	458 228
Conditions met - transferred to revenue	(1 404 746)	(458 228)
	595 254	**-**

The purpose of other grants is to assist the municipality to perform its functions and stabilize institutional and governance systems as required in the Municipal Systems Act and related legislation.

National Lottery Grant

Balance unspent at beginning of year	-	696 199
Conditions met - transferred to revenue	-	(696 199)
	-	**-**

The purpose of the grant is to promote social development within the communities.

Electricity Demand Side Management Grant

Current-year receipts	4 999 700	-
Conditions met - transferred to revenue	(4 996 786)	-
	2 914	**-**

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is to provide subsidies to the municipality to implement energy efficiency and demand side management initiatives within municipal infrastructure, in order to reduce electricity consumption and improve energy efficiency.

Figures in Rand	2014	2013

33. Employee related costs

Acting allowances	160 506	315 970
Actuarial loss on employee benefit obligations	9 051 748	-
Arbitration	-	179 235
Basic	132 757 205	127 850 113
Bonus	10 469 518	15 334 944
Casual Labour	1 193 112	1 303 070
Cellphone allowance	436 899	2 700
Defined contribution plans	22 453 344	21 133 077
Group Insurance	309 493	261 218
Housing benefits and allowances	1 457 751	1 529 920
Leave pay	8 563 005	(437 867)
Medical aid - company contributions	10 476 233	9 285 031
Other allowances	65 106	50 043
Overtime payments	9 860 745	8 295 937
Skills Development Levy (SDL)	1 331 021	1 275 490
Salaries Stand-by	319 020	158 682
Study Assistance	541 733	597 425
Travel, motor car, accommodation, subsistence and other allowances	4 519 658	4 264 833
Unemployment Insurance Fund (UIF)	1 018 698	911 749
	214 984 795	**192 311 570**

Remuneration of Acting Municipal Manager: Mogale MR

Annual Remuneration	-	93 678
Car Allowance	-	13 809
Contributions to UIF, Medical and Pension Funds	-	1 227
	-	**(108 714)**

The Acting Municipal Manager was appointed on 01 August 2012. In 2014, the Municipal Manager was paid by the Department of Cooperative Governance and Traditional Affairs (CoGTA).

Remuneration of Chief Finance Officer: Kgatla SM

Annual Remuneration	362 973	388 962
Travel and other allowances	123 074	61 329
Contributions to UIF, Medical and Pension Funds	1 487	5 571
Lumpsum payments	-	451 735
Leave paid	-	168 455
	487 534	**1 076 052**

The Chief Finance Officer was appointed on 07 February 2014. In the prior period, Mawela A acted in this position.

Remuneration of Director Infrastructure: Nkambule BE

Annual Remuneration	295 868	888 743
Travel and other allowances	79 967	147 365
Contributions to UIF, Medical and Pension Funds	33 010	13 143
	408 846	**1 049 251**

The above director was appointed on 01 March 2014. In the prior period this position was occupied by Ndlela N.

Remuneration of Director Corporate Support Services: Steyn LS

Annual Remuneration	901 167	791 511
Travel and other allowances	257 263	244 520
Contributions to UIF, Medical and Pension Funds	176 238	20 808

Figures in Rand	2014	2013

33. Employee related costs (continued)

	1 334 668	**1 056 839**

The above director was appointed on 01 March 2014.

Remuneration of Director Public Safety: Mampondo KM

Annual Remuneration	598 820	882 994
Travel and other allowances	183 563	153 103
Contributions to UIF, Medical and Pension Funds	7 665	15 360
	790 048	**1 051 457**

The above director is acting in this position from 01 December 2013. In the prior period this position was occupied by Molao RA.

Remuneration of Director Social Services: Matshego TMM

Annual Remuneration	289 835	875 748
Travel and other allowances	86 000	132 624
Contributions to UIF, Medical and Pension Funds	1 190	9 750
Other	-	27 471
	377 025	**1 045 593**

The above director was appointed on 01 March 2014. In the prior period this position was occupied by Molawa M.

Remuneration of Director Development Planning: Moloi JT

Annual Remuneration	864 943	933 627
Travel and other allowances	258 000	102 534
Contributions to UIF, Medical and Pension Funds	156 550	10 862
	1 279 493	**1 047 023**

The above director was appointed on 01 August 2010.

The remuneration of staff is within the upper limits of the South African Local Government Association (SALGA) Bargaining Council determinations.

34. Remuneration of councillors

Councillors	**14 071 932**	**13 747 483**

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

Figures in Rand	2014	2013

34. Remuneration of councillors (continued)

	Appointment date	Annual remmuneratio n	Accommodati on, subsisten ce, travel and other allowances	Total
Thebenare SE (Executive Major)	01/03/2006	529 348	223 661	753 009
Khumalo ME (Speaker)	01/06/2011	423 780	162 378	586 158
Grobler MC (Mayoral committee)	06/12/2000	397 390	152 831	550 221
Matuwane PT (Mayoral committee)	06/12/2000	397 390	152 831	550 221
Ntsepo X (Mayoral committee)	01/03/2006	397 390	152 831	550 221
Mahuma B (Mayoral committee)	01/03/2006	397 390	152 831	550 221
Legoete YI (Mayoral committee)	01/10/2008	397 390	152 831	550 221
Matshuisa LS (Mayoral committee)	01/06/2011	397 390	152 831	550 221
Sampson A (Mayoral committee)	01/06/2011	397 390	148 583	545 973
Matakane SS (Mayoral committee)	01/03/2006	397 390	152 831	550 221
Kimane MT (Mayoral committee)	01/06/2011	397 390	152 831	550 221
Handula SS	06/12/2000	159 854	73 654	233 508
Rooskrantz BS	01/06/2011	159 854	73 654	233 508
May S	01/06/2011	159 854	73 654	233 508
Mavuso TBN	01/03/2010	159 854	73 654	233 508
Erasmus GA	01/12/2003	159 854	73 654	233 508
Harrison C	21/11/2004	159 854	73 654	233 508
Du Plessis EP	27/10/2005	161 209	72 299	233 508
Bezuidenhout GP	01/03/2006	159 854	73 654	233 508
Mananiso T	01/03/2006	159 854	73 654	233 508
Cloete D	01/06/2011	159 854	73 654	233 508
Nawa SW	01/05/2010	159 854	73 654	233 508
Matshogo FO	01/12/2010	159 854	73 654	233 508
Faku PK	01/06/2011	155 458	73 654	229 112
Mbangeni MJ	01/06/2011	158 494	75 014	233 508
Ndebele GM	01/06/2011	157 139	76 369	233 508
Mapena PS	01/06/2011	159 854	73 654	233 508
Mogapi KD	01/06/2011	159 854	73 654	233 508
Mogale MD	01/06/2011	159 854	73 654	233 508
Dick P	01/06/2011	159 854	73 654	233 508
Van Tonder AJ	01/06/2011	159 854	73 654	233 508
Sello MM	01/03/2012	159 854	73 654	233 508
Kruger G	01/06/2011	159 854	73 654	233 508
Simon P	01/06/2011	159 854	73 654	233 508
Matebesi B	01/06/2011	159 854	73 654	233 508
Bogale MJ	01/06/2011	159 854	73 654	233 508
Kutoane MJ	01/06/2011	159 854	73 654	233 508
Francis PL	01/06/2011	159 854	73 654	233 508
Dreyer BC	01/09/2012	159 854	73 654	233 508
Bock SM	01/11/2012	159 854	73 654	233 508
De Lange EW	01/02/2014	67 480	30 690	98 170
Blake BD	06/12/2000	159 851	73 654	233 505
Beaufort EJR	01/05/2009	155 458	73 654	229 112
Steenkamp SP	01/03/2006	50 273	20 888	71 161
Lebopa AI	01/03/2006	277 715	108 025	385 740
		9 869 065	**4 202 867**	**14 071 932**

The following councillors were no longer in service as at 30 June 2014:
Lebopa AI (termination date 30/03/2014)
Steenkamp SP (termination date 04/10/2013)

All other councillors listed above were still in service at 30 June 2014.

In kind benefits

Figures in Rand	2014	2013

34. Remuneration of councillors (continued)

The Executive Mayor, Speaker and Mayoral Committee Members are provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has two full-time bodyguards. The Speaker has one full-time bodyguard.

35. Depreciation, amortisation and impairment

Property, plant and equipment	103 224 529	108 219 436
Intangible assets	1 021 908	90 732
	104 246 437	**108 310 168**

36. Finance costs

Trade and other payables	20 736 978	8 592 830
Finance leases	1 857 863	3 497 700
Current borrowings	2 102 667	5 788 476
	24 697 508	**17 879 006**

37. Debt impairment

Contributions to allowance for impairment	39 316 294	36 127 544

38. Bulk purchases

Electricity	277 250 762	247 454 446
Water	52 320 951	45 193 493
	329 571 713	**292 647 939**

39. Contracted services

Credit cost control	3 186 888	4 128 931
Private contractor	1 158 101	1 247 952
Pre-paid vending cost	6 927 117	5 878 031
Security services	6 000 022	7 836 163
Westonaria sewerage disposal	8 896 121	7 612 746
	26 168 249	**26 703 823**

40. Grants and subsidies paid

Other subsidies		
Society for the Prevention of Cruelty to Animals (SPCA)	420 000	420 000

Figures in Rand	2014	2013

41. General expenses

50kWH free electricity	1 318 368	1 453 527
6kl water (free)	8 182 395	6 589 742
Advertising	727 587	1 150 320
Audit committee costs	224 591	144 153
Auditors remuneration	4 011 166	3 510 547
Bank charges	3 820 853	2 501 528
Bursary expenses	-	903 367
Cleaning	633 620	324 172
Code of By Laws	-	87 000
Consulting and professional fees	11 576 100	8 490 802
Consumables	326 796	340 182
Delegation	372 226	312 943
Electricity	7 146 338	13 266 940
Employee Assistance Program and OHSA	78 233	134 118
Entertainment	61 903	109 509
Expanded public works programme	3 067 367	843 779
Farming	590 857	1 031 146
Fuel and oil	4 377 252	4 634 430
IT expenses	691 435	206 379
Indigent subsidy - Assessment rate	-	1 974 341
Indigent subsidy - Electricity	208 877	76 709
Indigent subsidy - Refuse	9 576 703	9 139 207
Indigent subsidy - Sewerage	6 039 325	6 889 070
Indigent subsidy - Two room houses	55 020	69 930
Indigent subsidy - Water	-	1 794 986
Indigents	234 566	332 190
Insurance	2 038 875	1 974 569
LED expenses	492 040	35 397
Rental expenses	6 166 715	2 137 825
Magazines, books and periodicals	142 014	12 578
Marketing and communication	260 180	118 437
Motor vehicle expenses	1 021 378	1 089 526
Municipal events and improvement	2 408 343	246 854
Other expenses	3 429 837	10 428 352
Pest control	205 009	30 800
Postage and courier services	1 485 870	1 511 944
Printing and stationery	747 367	793 095
Projects	226 395	298 308
Protective clothing (uniforms)	1 285 937	945 443
Provision for regional master plan	305 719	-
Public participation	355 101	344 653
R1 for R1 settlement	1 110 871	670 730
Recoverable jobs	-	85 617
Refuse	25 276	45 902
Refuse bin subsidy	64 177	50 384
Removal of illegal dumping	394 517	29 079
Sewerage and waste disposal	129	4 303
Software license fees	1 500 521	1 411 765
Sports, parks and recreation facilities	567 726	115 808
Stock adjustment	67 942	145 675
Subscriptions and membership fees	3 993 136	1 668 811
Telephone and fax	1 746 980	2 083 791
Traffic control expense	350 470	1 342 099
Training	1 216 335	817 886
Ward committee	1 351 005	1 007 360
Water	-	2 888 786
	96 281 443	**98 646 794**

Figures in Rand	2014	2013

42. Fair value adjustments

Biological assets	(152 250)	(231 550)
Heritage assets revaluation	(423 250)	-
Investment property	(11 977 981)	8 860 263
	(12 553 481)	**8 628 713**

43. Auditors' remuneration

Fees	4 011 166	3 510 547

44. Cash (used in)/ generated from operations

Deficit for the year	(127 352 572)	(58 530 838)
Adjustments for:		
Depreciation and amortisation	104 246 437	108 310 168
Loss/ (gain) on sale of assets and liabilities	15 523 160	1 056 793
Loss/ (gain) on sale of houses	(59 940)	(42 726)
Fair value adjustments	12 553 481	(8 628 713)
Finance costs - finance leases	1 857 863	3 497 700
Debt impairment	39 316 294	36 127 544
Movements in retirement benefit assets and liabilities	16 256 208	1 662 180
Movements in provisions	3 393 852	4 254 339
Public contributions and donations (Donated assets)	(9 115 233)	-
Other non-cash items	-	(121 844)
Changes in working capital:		
Inventories	2 621 156	(905 910)
Trade and other receivables from non exchange transactions	(6 416 208)	3 467 234
Trade and other receivables from exchange transactions	(29 080 187)	45 031 567
Trade and other payables from exchange transactions	76 392 349	(4 113 655)
VAT	(754 757)	(1 841 685)
Trade and other payables from non-exchange transactions	1 841 459	636 716
Unspent conditional grants and receipts	(23 919 738)	12 005 707
Consumer deposits	2 683 003	1 739 411
	79 986 627	**143 603 988**

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	41 076 348	39 861 549

The committed expenditure relates to infrastructure and community assets and will be financed by retained surpluses and external funding.

Operating commitments

Minimum payments due

- within one year	2 485 919	23 001 894
- in second to fifth year inclusive	1 064 745	3 366 796
	3 550 664	**26 368 690**

Operating commitments relate to operational activities undertaken by the municipality and will be financed by external funding.

Figures in Rand	2014	2013

46. Contingencies

The following legal proceedings are currently in progress:

Claim against the municipality for injuries sustained in June 2004 by Marina Nolte	1 200 000	1 200 000
Claim by Kingfisher outdoor products In respect of interest on incorrect billing	149 475	149 475
Claim by Lubbe Construction (Pty) Ltd: Payment for Services rendered	16 672 305	16 672 305
Claim by SM Thabalaka for TP vehicle damage due to potholes	8 406	8 406
Claim by PJ De Wet for TP vehicle damage due to potholes	1 550	1 550
Claim by Me Lorette Grové in respect of third party injury – estimated cost of claim	1 483	1 483
Claim by Me Gladys Mahobane iro personal injury resulting from roads and storm water construction activities	34 300	34 000
Claim by Zimasile Investments CC regarding injury to an employee by residents while doing work for the municipality.	61 140	61 140
Claim by Kotela Maine Project Managers and Property Developers (Pty) Ltd for services rendered.	228 855	228 855
Claim by Rescue Rod (Pty) Ltd for breach of contract and services rendered	302 888	302 888
Possible claim by H Kluyts for damages to a vehicle as a result of traffic signs that were not properly marked	25 606	25 606
Claim by L.C.M. Orton for unlawful/wrongful arrest	100 000	100 000
Claim by Mrs. A S Luthers for constructive dismissal. Applicant claims salary discrepancy as reason for resignation.	30 000	30 000
Claim by Yebo Gogo motors for storage.	97 844	97 844
Claim by R J Panelbeaters against the municipality for services rendered.	31 831	31 831
Claim by Aranda Textile for loss of income due to power outages	612 513	612 513
Claim by Khumalo and others for unfair dismissal	50 000	50 000
Claim by T G Mpompi in respect of the interpretation of collective agreement.	75 000	75 000
Claim by Mokhele in respect of the interpretation of collective agreement.	140 000	140 000
Claim by E Mako in respect of interpretation of collective agreement.	520 000	520 000
Claim by LT Mogapi in respect of interpretation of collective agreement.	290 000	290 000
Claim by J. Kolo in respect of unfair dismissal.	39 106	39 106
Claim by D. Tlhapane in respect of unfair dismissal.	851 592	851 592
Claim by S. Makhale in respect of unfair dismissal.	2 925 000	2 925 000
Claim by Z Gcsamba for constructive dismissal,	1 903 838	1 903 838
Thabo P Mthembu is suing for damages for an unlawful arrest, damages to property and legal fees	237 000	237 000
Claim against the municipality for car damages by the municipality's employee.	95 340	95 340
Claim by Mr Grobler against the municipality for eviction application	6 500 000	6 500 000
Claims against the municipality at the High Court	-	300 000
Claim for car damaged by the municipality's employee	-	95 340
Quill Associates is suing for continuous use of computer software even after termination of contract and outstanding fees for maintenance services rendered.	4 731 000	-
Claim for damages suffered by Sivenkosi Nandise due to negligent driving by an employee of the municipality.	35 887	-
Claim by Mokudo Incorporated for legal services rendered.	399 595	-
Claim by Van Greunen Ann-Marie for damages and loss of income due to negligence that caused the death of her husband.	1 698 928	-
Claim by Muaz Dludla Decor and Projects for the outstanding payment for the services rendered to the municipality	851 400	-
Damages suffered by Nick Taljaard as result of a pothole.	6 974	-
Claim by Nurcha Development Finance (Pty) Ltd for breach of contract.	2 925 125	-
Damages sustained by Maureen Sila as a result of failure to have covered/repaired an open manhole that she fell into.	773 000	-
Damages sustained by Kenyaditswe Selinah Mokgakala as a result of failure to have covered/repaired an open manhole that she fell into.	550 000	-
Damages sustained by Thembakazi Buso as a result of failure to have covered/repaired an open manhole that she fell into.	550 000	-
Damages sustained by Matlakala Martha Kgarudi as a result of failure to have covered/repaired an open manhole that she fell into.	350 000	-
Damages sustained by Christo Dekker as a result of failure to have covered/repaired an open manhole that he fell into.	50 000	-
Labour dispute by Selloane Makhale	100 000	-

Figures in Rand		2014	2013
46. Contingencies (continued)			
		46 206 981	**33 580 112**
47. Related parties			
Relationships			
Accounting Officer	Refer to note 33		
Mayor	Refer to note 34		
Speaker	Refer to note 34		
Council Whip	Refer to note 34		
Councillors	Refer to note 34		
Inter- governmental relations	Refer to note 32		
Related party transactions			
Purchases from/ (sales to) related parties			
Sure Blake Travel (Pty) Ltd (Company owned by a councillor)		-	9 384

Figures in Rand	2014	2013

48. Prior period errors

1. Transactions totalling 517,941 were erroneously recorded in the other financial liabilities (DBSA Loan) vote in periods before 2012 resulting in an overstatement of other financial liabilities. The error has been adjusted from the earliest prior period presented.

2. Debtors were overstated by an amount of 591,696 due to an error that occurred during system conversion in 2013.

3. Revenue was overstated due to duplicated sale of electricity transactions in 2013 totalling 4,884,103.

4. Understatement of bank charges by an amount of 42,168 due to charges not recorded in the 2013 accounting records.

5. Misstatement of cash and cash equivalents by 218,107 due to errors on prior the reversal of bank charges in 2013.

6. Misstatement of cash and cash equivalents due to uncleared refer to drawer payments in periods before 2012 totalling 13,325. The error has been adjusted from the earliest prior period presented.

7. Misstatement of cash and cash equivalents by an amount of 30,359 due to errors relating to deposits in periods before 2012. The error has been adjusted from the earliest prior period presented.

8. Deposits received on behalf of the Department of Transport in the prior period and remitted per the agreement but subsequently became unpaid. This resulted in overstatement of trade and other payables from exchange transactions by 341,927, overstatement of income from agency services by 85,481 and cash and cash equivalents by 427,409.

9. Cash and cash equivalents were misstated by 257,281 due to duplicated receipting in 2012. The error has been adjusted from the earliest prior period presented.

10. Accumulated surplus and revenue were misstated due to errors on the recording of fines by 811 in 2013, 2,451 in 2012 and 60,600 in periods before 2012. The error has been adjusted from the earliest prior period presented.

11. Cash and cash equivalents, revenue and expenditure were overstated due to duplicated transactions in 2013 regarding prepaid electricity receipts of 1,050,561, bank charges of 7,176 and interest of 570.

12. Overstatement of income from agency services in 2013 by an amount of 2,342.

13. Overstatement of the salary control account in 2013 due to an error of 10,868 in recording transactions.

14. Misstatement of fines by 5,900 due to a transaction not recorded correctly.

15. Misstatement of salaries and the salary control account by an amount of 566,314 due to transactions not recognised in 2013.

16. Unknown direct deposits totalling 643,648 (2012: 6,932) were not recognised in prior periods resulting in understatement of trade and other payables from non exchange transactions. The error has been adjusted from the earliest prior period presented.

17. Overstatement of income from agency services by 2,000,129 due to duplication of recording in 2013.

18. Overstatement of income from agency services by 2,192,234 due to recording error in 2013.

19. Overstatement of income from agency services by 3,243,865 due to recording error in 2013.

20. Misstatement of non current assets due to property, plant and equipment with a cost of 40,432 and accumulated depreciation of 5,902 which were not accounted for in 2012. Depreciation amounting to 7,157 in respect of these assets was not accounted for in 2013. The error has been adjusted from the earliest prior period presented.

21. Capital works in progress were overstated by an amount of 51,312 due to the recognition of a project that never commenced in 2010. The supplier was paid but never delivered. This error has been adjusted retrospectively from the earliest prior period presented.

Figures in Rand	2014	2013

48. Prior period errors (continued)

22. Misstatement of non current assets due to property, plant and equipment with a cost of 995,250 and accumulated depreciation of 32,903 which were not transferred from work in progress in periods before 2012. Depreciation amounting to 49,763 in respect of these assets was not accounted for in 2013. The error has been adjusted from the earliest prior period presented.

23. Misstatement of non current assets due to property, plant and equipment with a cost of 1,635,933 which were not transferred from work in progress in 2013. Depreciation amounting to 35,498 in respect of these assets was not accounted for in 2013.

24. Misstatement of non current assets due to property, plant and equipment with a cost of 909,504 and accumulated depreciation of 697,286 which were not derecognised in periods before 2012. The error has been adjusted from the earliest prior period presented.

25. Misstatement of non current assets due to property, plant and equipment with a cost of 985,673 and accumulated depreciation of 65,712 which were not transferred from work in progress in periods before 2012. Depreciation amounting to 32,856 in respect of these assets was not accounted for in 2013. The error has been adjusted from the earliest prior period presented.

26. Misstatement of non current assets due to work in progress amounting to 5,023,231 that was not recognised in periods before 2012. The error has been adjusted from the earliest prior period presented.

27. Misstatement of non current assets due to work in progress amounting to 907,476 that was not recognised in periods before 2012. The error has been adjusted from the earliest prior period presented.

28. Misstatement of non current assets due repairs and maintenance amounting to 163,100 that were disclosed as work in progress in periods before 2012. The error has been adjusted from the earliest prior period presented.

29. Misstatement of trade and oter payables from exchange transactions by 5,139,674 due to a creditor that was not recognised correctly in 2013.

30. Understatement of income from agency services by 2,302,064,78 due to recording errors in 2013.

31. Understatement of bank charges by 574,892 due to amounts not recognised in 2013.

32. Misstatement of non current assets due to work in progress with a cost of 18,601 erroneously recognised in periods before 2012. The error has been adjusted from the earliest prior period presented.

All errors that occurred in periods before 2012 have been adjusted from the earliest prior period presented.

The correction of the errors results in adjustments as follows:

Figures in Rand	2014	2013

48. Prior period errors (continued)

Statement of financial position

Error 1		
Other financial liabilities	-	517 941
Accumulated surplus	-	(517 941)
Error 2		
Trade and other receivables from non exchange transactions	-	(591 696)
Error 3		
Cash and cash equivalents	-	(4 884 103)
Error 4		
Cash and cash equivalents	-	(42 168)
Error 5		
Cash and cash equivalents	-	218 107
Error 6		
Accumulated surplus	-	13 325
Cash and cash equivalents	-	(13 325)
Error 7		
Cash and cash equivalents	-	30 359
Accumulated surplus	-	(30 359)
Error 8		
Trade and other payables from exchange transactions	-	341 927
Cash and cash equivalents	-	(427 409)
Error 9		
Accumulated surplus	-	257 281
Cash and cash equivalents	-	(257 281)
Error 10		
Accumulated surplus	-	63 051
Cash and cash equivalents	-	(63 862)
Error 11		
Cash and cash equivalents	-	(1 057 167)
Error 12		
Cash and cash equivalents	-	(2 342)
Error 13		
Trade and other payables from exchange transactions	-	10 868
Cash and cash equivalents	-	(10 868)
Error 14		
Cash and cash equivalents	-	5 900
Error 15		
Trade and other payables from exchange transactions	-	(566 314)
Error 16		
Cash and cash equivalents	-	643 648
Trade and other payables from non exchange transactions	-	(643 648)
Error 17		
Cash and cash equivalents	-	(2 000 129)

Figures in Rand	2014	2013

48. Prior period errors (continued)

Error 18		
Cash and cash equivalents	-	(2 192 235)
Error 19		
Cash and cash equivalents	-	(3 243 865)
Error 20		
Property, plant and equipment	-	27 372
Accumulated surplus	-	(34 529)
Error 21		
Trade and other receivables	-	51 312
Property, plant and equipment	-	(51 312)
Error 22		
Accumulated surplus	-	32 903
Property, plant and equipment (Infrastructure)	-	912 584
Property, plant and equipment (Work in progress)	-	(995 250)
Error 23		
Property, plant and equipment (Infrastructure)	-	1 600 435
Property, plant and equipment (Work in progress)	-	(1 635 933)
Error 24		
Accumulated surplus	-	212 218
Property, plant and equipment	-	(212 218)
Error 25		
Accumulated surplus	-	65 712
Property, plant and equipment	-	887 105
Property, plant and equipment (Work in progress)	-	(985 673)
Error 26		
Property, plant and equipment	-	5 023 231
Trade and other payables from exchange transactions	-	(5 023 231)
Error 27		
Property, plant and equipment	-	907 476
Trade and other payables from exchange transactions	-	(907 476)
Error 28		
Accumulated surplus	-	163 100
Property, plant and equipment	-	(163 100)
Error 29		
Cash and cash equivalents	-	5 139 674
Trade and other payables from exchange transactions	-	(5 139 674)
Error 30		
Cash and cash equivalents	-	2 302 065
Error 31		
Cash and cash equivalents	-	574 892
Error 32		
Accumulated surplus	-	18 601
Property, plant and equipment (work in progress)	-	(18 601)
Total adjustments to accumulated surplus at 1 July 2012	-	**243 361**

Figures in Rand	2014	2013

48. Prior period errors (continued)

Statement of Financial Performance

Error 2		
Property rates	-	591 696
Error 3		
Service revenue	-	4 884 103
Error 4		
General expenses (bank charges)	-	42 168
Error 5		
General expenses (bank charges)	-	(218 107)
Error 8		
Income from agency services	-	85 481
Error 10		
Fines	-	811
Error 11		
Service charges	-	1 050 561
Bank charges	-	7 176
Interest received	-	(570)
Error 12		
Income from agency services	-	2 342
Error 14		
Fines	-	(5 900)
Error 15		
Employee related costs	-	566 314
Error 17		
Income from agency services	-	2 000 129
Error 18		
Income from agency services	-	2 192 235
Error 19		
Income from agency services	-	3 243 865
Error 20		
Depreciation	-	7 157
Error 22		
Depreciation	-	49 763
Error 23		
Depreciation	-	35 498
Error 25		
Depreciation	-	32 856
Error 30		
Income from agency services	-	(2 302 065)
Error 31		
Interest received	-	(574 892)

Figures in Rand	2014	2013

48. Prior period errors (continued)

Total adjustments to surplus/ deficit and accumulated surplus for 2013	-	**11 933 972**

Reconciliation of prior period audited balances to restated balances

Statement of financial position for the year ended30 June 2013	**Balance as previously reported**	**Changes in accounting policy**	**Prior period errors**	**Reclassification**	**Restated balance**
Current assets					
Cash and cash equivalents	54 424 520	-	(5 280 109)	-	49 144 411
Trade and other receivables from exchange transactions	46 642 806	-	-	(3 668 460)	42 974 346
Trade and other receivables from non exchange transactions	22 245 801	-	(540 385)	(2 242 864)	19 462 552
VAT receivable	-	-	-	3 632 388	3 632 388
Current portion of long term receivables	-	-	-	1 951 244	1 951 244
Non current assets					
Long term receivables	-	-	-	3 960 080	3 960 080
Property, plant and equipment	2 549 655 840	-	5 296 119	-	2 554 951 959
Current liabilities					
Trade and other payables from exchange transactions	(114 985 441)	-	(11 283 890)	(20 218 450)	(146 487 781)
Provisions	(3 713 119)	-	-	3 713 119	-
Trade and other payables from non exchange transactions	-	-	(643 648)	-	(643 648)
VAT payable	(12 872 943)	-	-	12 872 943	-
Non current liabilities					
Other financial liabilities	(10 244 606)	-	517 941	-	(9 726 665)
Net assets					
Accumulated surplus	(2 535 913 689)	-	11 933 972	-	(2 523 979 717)
	(4 760 831)	**-**	**-**	**-**	**(4 760 831)**

Statement of financial performance for the year ended30 June 2013	**Total as previously reported**	**Changes in accounting policy**	**Prior period errors**	**Reclassification**	**Restated total**
Revenue					
Actuarial gains	(4 397 425)	-	-	4 397 425	-
Fines	(6 442 099)	-	(5 089)	-	(6 447 188)
Income from agency services	(21 107 219)	-	5 221 987	-	(15 885 232)
Interest received	(2 896 024)	-	(575 462)	-	(3 471 486)
Other income	(6 869 856)	-	-	(4 397 425)	(11 267 281)
Property rates	(78 443 184)	-	591 696	-	(77 851 488)
Service charges	(469 867 361)	-	5 934 665	-	(463 932 696)
Expenditure					
Employee relates costs	192 690 699	-	566 314	(945 443)	192 311 570
General expenses	97 870 114	-	(168 763)	945 443	98 646 794
Depreciation and amortisation	108 184 894	-	125 274	-	108 310 168
	(191 277 461)	**-**	**11 690 622**	**-**	**(179 586 839)**

49. Comparative figures

Certain comparative figures have been reclassified.

Figures in Rand		2014	2013

49. Comparative figures (continued)

1. Various grants were not disclosed separately in note 24 of the 2013 annual financial statements. They were included in "National grants," "Provincial Grants" and "VAT Income on Grants." All grants have been reclassified and disclosed separately. Refer to note 32 of these financial statements for the effect of reclassification.

2. Accrual for 13th cheque totalling 3,713,119 was disclosed as a provision instead of other payables from exchange transactions in the prior period.

3. Non current receivables totalling 29,208,319 were disclosed as part of trade and other receivables from exchange transactions (current assets) in the 2013 financial statements. The related allowance for impairment amounting to 23,296,995 was also disclosed as part of current assets. The short term portion of these receivables amounting to 1,951,244 was also not disclosed in the 2013 annual financial statements.

4. Actuarial gains totalling 4,397,425 were disclosed in a separate line item on the face of the statement of financial performance instead of inclusion in other income.

5. The cost of uniforms totalling 945,443 was previously disclosed as employee related cost instead of general expenditure.

6. Payables with debit balances of 16,505,331 in respect of VAT were disclosed as part of trade and other payables from exchange transactions resulting in understatement of trade and other payables from exchange transactions and understatement of the VAT receivable.

The effects of the reclassification are as follows:

Statement of financial position		
Provisions	-	3 713 119
Trade and other payables from exchange transactions	-	(3 713 119)
Long term receivables (Current portion)	-	1 951 244
Long term receivables (Non current portion)	-	3 960 080
Trade and other receivables from exchange transactions	-	(3 668 460)
Trade and other receivables from non exchange transactions	-	(2 242 864)
VAT receivable	-	3 632 388
VAT payable	-	12 872 943
Trade and other payables from exchange transactions	-	(16 505 331)
Statement of financial performance		
Actuarial gains	-	(4 397 425)
Other income	-	4 397 425
Employee related cost	-	(945 443)
General expenditure	-	945 443

50. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Figures in Rand	2014	2013

50. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Market risk

Risk from biological assets

The municipality is exposed to financial risks arising from changes in milk prices. The municipality does not anticipate that milk prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in milk prices. The municipality reviews its outlook for milk prices regularly in considering the need for active financial risk management.

51. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report which will significantly affect the financial position and results of the municipality's operations.

52. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is continued funding by national government for operational and capital activities.

53. Unauthorised expenditure

Grants bank account not fully funded	-	4 970 890
Expenditure exceeding budget	-	26 064 123
	-	**31 035 013**

54. Fruitless and wasteful expenditure

Interest on arrear account- Eskom	14 638 792	8 552 814
Advertising expense for the Municipal Manager position	-	67 109
Interest on arrear account- Rand Water	10 654	-
Interest on arrear account- Makoduo Attorneys	31 143	-
Interest on arrear account- Vizual Solutions	1 600	-
	14 682 189	**8 619 923**

55. Irregular expenditure

Opening balance	83 113 983	57 521 796
Add: Irregular Expenditure - current year	2 512 289	25 592 187
	85 626 272	**83 113 983**

Analysis of expenditure awaiting condonation per age classification

Current year	2 512 289	25 592 187
Prior years	83 113 983	57 521 796
	85 626 272	**83 113 983**

Figures in Rand	2014	2013

55. Irregular expenditure (continued)

Details of irregular expenditure – current year

Budgeted and approved expenditure for which the procurement process as prescribed was not followed		2 512 289

Action taken/ to be taken in respect of irregular expenditure

Management will submit all matters to council for investigation and condonation.

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

South African Local Government Association (SALGA)		
Current year subscription	3 800 647	1 612 048
Amount paid - current year	(3 800 647)	(1 612 048)
	-	**-**

Audit fees

Opening balance	(2 971)	161 556
Current year fee	4 011 166	3 510 547
Amount paid - current year	(3 056 820)	(3 675 074)
	951 375	**(2 971)**

PAYE and UIF

Current year expense	32 549 751	29 660 973
Amount paid - current year	(32 549 751)	(29 660 973)
	-	**-**

VAT

VAT receivable	16 474 704	17 108 958
VAT payable	(12 087 558)	(13 476 570)
	4 387 146	**3 632 388**

VAT output payables and VAT input receivables are shown in note .

Figures in Rand	2014	2013

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	**Outstanding more than 90 days**	**Total**
Cllr Dreyer BC	16 848	16 848
Cllr Kutoane MJ	8 500	8 500
Cllr Nomandla MZ	6 000	6 000
	31 348	**31 348**

30 June 2013	**Outstanding more than 90 days**	**Total**
Cllr Kutoane MJ	15 500	15 500
Cllr Dreyer BC	1 960	1 960
	17 460	**17 460**

The above councilors have made arrangements with the municipality in respect of settling their outstanding balances.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/ condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Emergency	2 906 721	-
Sole supplier	1 043 857	-
Impractical or impossible to follow procurement process	90 238	-
Other	-	6 280 670
	4 040 816	**6 280 670**

In terms of S45 of the Supply Chain Management Policy the accounting officer must ensure that the notes to the financial statements disclose particulars of any award of more than R2000.00 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:

- the name of that person
- the capacity in which that person is in the service of the state; and
- the amount of the award.

Award made to Takgalang Consulting CC in which Ramatapa MR who is an employee Eskom Holdings Ltd has an interest	-	3 044 860
Award made to Sunrise Electrical Wholesalers in which Takalani R.M who is an employee of SA National Parks has an interest	-	371 000
	-	**3 415 860**

A deviations register is available as per paragraph 36(2) of the Municipal Supply Chain Management Policy.

Figures in Rand	2014	2013

57. Material losses incurred

2014	Kilolitres	Rand Value	Percentage
Water	1 684 465	14 355 946	16%

	Kilowatts	Rand Value	Percentage
Electricity	56 348 423	29 252 057	13%

2013	Kilolitres	Rand Value	Percentage
Water	466 964	3 101 695	9%

	Kilowatts	Rand Value	Percentage
Electricity	36 497 501	30 343 347	9%

58. Budget differences

Material differences between budget and actual amounts

All budget fluctuations above 10% in comparison to actual results for the year were considered material and are explained below:

Statement of financial performance

58.1 Service charges
Installation of water and electricity meters in new areas was delayed.

58.2 Sale of houses
The municipality did not budget for any sale of houses.

58.3 Rental of facilities and equipment
Loss of revenue due to other facilities not in operation during the year.

58.4 Interest on outstanding debtors
Strict enforcement of credit control.

58.5 Income from agency services
More clients used services than anticipated (e.g car registrations).

58.6 Licences and permits
Expected revenue was over estimated.

58.7 Other income
Revenue enhancement strategy was only reviewed during the year.

58.8 Other farming income
Included in other income.

58.9 Interest from investments
A decision was taken mid-year to invest surplus cash.

58.10 Fines
Strict enforcement of by-laws and collections.

58.11 Property rates
Overestimation in valuation roll.

58.12 Government grants and subsidies
Department of Minerals and Energy gave additional grants than was gazetted for Demand Side Management and installation of new technology.

Figures in Rand	2014	2013

58. Budget differences (continued)

58.13 Public contributions and donations
Capital donations received which were unforseen at the time of preparing the budget.

58.14 Employee related costs
Variance accepted as reasonable.

58.15 Remuneration of councillors
Two councillors were deceased during the year.

58.16 Depreciation, amortisation and impairment
Assets disposed off during the year.

58.17 Finance costs
Interest on overdue Eskom account.

58.18 Debt impairment
Less debt impaired than was originally planned. Debt book handed over due to likelihood of recovery of some debt

58.19 Repairs and maintenance
Some repairs and maintenance were delayed due to cash flow challenges.

58.20 Bulk purchases
Variance accepted as reasonable.

58.21 Contracted services
Appointment of Electricity vendor delayed due to confusion in pricing of bids.

58.22 Grants and subsidies paid
No deviation from budgetted expenditure.

58.23 General expenses
Cost curtailment measures due to the need to meet Eskom obligations.

58.24 Loss on disposal of assets
Not budgeted for.

58.25 Fair value adjustments
Not budgeted for.

Statement of financial position

58.26 Inventories
Less inventories acquired due to cash flow challenges.

58.27 Trade and other receivables from non exchange transactions
Increase in sundry debtors due to economic downturn, especially in mines and agriculture (increase in unemployment).

58.28 VAT receivable
The balance receivable for the year is due to prior period corrections which were not forseen at the time of budgeting.

58.29 Trade and other receivables from exchange transactions
Strict enforcement of credit control.

58.30 Long term receivables
Over estimation.

58.31 Cash and cash equivalents
Short term investments were made to ring fence unspent grants received.

58.32 Biological assets
Significantly declining agricultural sector. Process of disposal of the farm to be initiated in 2014/15.

Figures in Rand	2014	2013

58. Budget differences (continued)

58.33 Investment property
Overvaluation on investment property in budget.

58.34 Property, plant and equipment
Fluctuation accepted as reasonable.

58.35 Heritage assets
Changes in fair value.

58.36 Intangible assets
Variance accepted as reasonable.

58.37 Other financial assets
Variance accepted as reasonable.

58.38 Other financial liabilities
The municipality did not borrow as budgeted.

58.39 Finance lease obligation
Finance lease obligations were budgeted for as part of other financial liabilities hence the significant fluctuation on other financial liabilities.

58.40 Trade payables from exchange
Eskom account due to cash flow challenges.

58.41 Trade and other payables from non exchange transactions
Not budgetted for.

58.42 Consumer deposits
Growth in town.

58.43 Unsppent conditional grants and receipts
Variance accepted as reasonable.

58.44 Provisions
Variance accepted as reasonable.

58.45 Employee benefit obligations
Post retirement benefits under provided.

Statement of cashflows

58.46 Sale of goods and services
Variance accepted as reasonable.

58.47 Grants
Payments of grants stopped due to slow spending.

58.48 Interest income
Investment of surplus funds**.**

58.49 Other receipts
Unbudgeted income received from building plans, burials, etc

58.50 Suppliers and employees
A number of posts not filled and contracted services curtailed due to cash flow challenges**.**

58.51 Finance cost
Payments of interest on arrears (Eskom)

Figures in Rand	2014	2013

58. Budget differences (continued)

58.52 Transfers and grants paid
Actual payments have been included in total payments. There was no variance between the budgeted expenditure and actual grants paid.

58.53 Purchase of property, plant and equipment
Variance accepted as reasonable.

58.54 Proceeds from sale of property, plant and equipment
Selling of property was delayed**.**

58.55 Proceeds from sale of investment property
Actual sale was unbudgeted for.

58.56 Purchase of intangible assets
This was a revaluation (increase in valuation), not actual purchase**.**

58.57 Increase in financial assets
Investment of surplus cash during the year.

58.58 Increase in long term receivables
Over estimation

58.59 Repayment of financial liabilities
Repayment of loans was over budgeted

58.60 Increase in consumer deposits
Consumer deposits were included in adjustments to operating deficit hence are not shown separately in the actual cashflow statement.

58.61 Repayment of finance lease liabilities
Repayment of finance lease liabilities was budgeted for under financial liabilities hence the significant variance on other financial liabilities.

Income Statement for Agricultural Activities

Figures in Rand	Note(s)	2014	2013
Cost of sales			
Opening stock		-	(108 067)
Purchases		-	108 067
		-	**-**
Other income			
Other farming income		731 802	2 611 933
Operating expenses			
Veterinary services and supplies		(228)	(4 441)
Other farming expenses		(590 629)	(1 026 705)
		(590 857)	**(1 031 146)**
Operating (deficit)/ surplus		**140 945**	**1 580 787**
Surplus for the year from agricultural activities		**140 945**	**1 580 787**

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
Loan 1	61001399	9 909 230	-	1 253 296	8 655 934	-	-
Loan 2	61001400	1 225 837	-	155 041	1 070 796	-	-
		11 135 067	**-**	**1 408 337**	**9 726 730**	**-**	**-**
Total external loans		**11 135 067**	**-**	**1 408 337**	**9 726 730**	**-**	**-**